



The Notice of Meeting is important and should be read in its entirety. If you are in doubt as to the course of action you should follow, you should consult your financial adviser, lawyer, accountant or other professional adviser. If you have any difficulties obtaining a copy of the Notice of Meeting please contact the Company's share registry, Automatic on, 1300 288 664 (within Australia) or +61 2 9698 5414 (overseas).

Yours faithfully

A handwritten signature in black ink, appearing to read "S. Whybrow", is written over the typed name.

Simon Whybrow
Company Secretary



KINETIKO

ENERGY LTD

(ACN 141 647 529)

Notice of Annual General Meeting and Explanatory Statement

**Annual General Meeting to be held at
Level 24, 44 St George's Terrace, Perth, Western Australia
on 30 November 2022 commencing at 3:00pm (WST).**

Important

This Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of Kinetiko Energy Ltd (ACN 141 647 529) (“**Company**”) will be held at **Level 24, 44 St George's Terrace, Perth, Western Australia** at 3:00pm (WST) on 30 November 2022 to conduct the following business and to consider, and if thought fit, to pass the following Resolutions.

COVID-19 INFORMATION

In light of the easing of restrictions on gatherings in Western Australia, it is currently anticipated that the Meeting will be held in person (and not by virtual means). The Company has taken steps to ensure that all attendees will be able to participate in the Meeting while maintaining their health and safety and abiding by social distancing requirements.

Shareholders do not need to attend the Meeting in order to cast their vote(s). The Company therefore recommends that Shareholders who do not wish to attend the Meeting in person, but who wish to vote, appoint the Chairman as their proxy (and where desired, direct the Chairman how to vote on a Resolution) rather than attending in person.

If the Meeting cannot be held in person, the Company will make additional arrangements as required.

BUSINESS

Annual Report

To receive and consider the Annual Report of the Company for the financial year ended 30 June 2022, which includes the Financial Report, the Directors’ Report, the Remuneration Report and the Auditor’s Report.

Resolution 1 - Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **advisory only resolution**:

“That, for the purpose of section 250R(2) of the Corporations Act and all other purposes, the Remuneration Report for the financial year ended 30 June 2022 be adopted.”

Note: The votes on this Resolution are advisory only and do not bind the Directors or the Company.

Voting Prohibition Statement

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; and
- a Closely Related Party of such a member.

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- the voter is the Chair and the appointment of the Chair as proxy:
 - does not specify the way the proxy is to vote on this Resolution; and
 - expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Resolution 2 – Re-election of Geoffrey Michael

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“That, for all purposes, Geoffrey Michael, who retires by rotation in accordance with clause 11.1 of the Constitution and who is eligible and offers himself for re-election, be re-elected as a Director.”

Resolution 3 – Ratification of the prior issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, approval is given to ratify the prior issue of 2,000,000 Shares issued under Listing Rule 7.1 to Justin Malouf as described in the Explanatory Statement.”

Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- Justin Malouf (or his nominee); or
- an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chair to vote on this Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on this Resolution; and
 - the holder votes on this Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolutions 4(a) and (b) – Ratification of the prior issue of Placement Shares

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, approval is given to ratify the prior issue of:

(a) 37,457,777 Shares issued under Listing Rule 7.1; and

(b) 19,120,000 Shares issued under Listing Rule 7.1A,

to the Placement Participants under the Placement as described in the Explanatory Statement.”

Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf of;

- a person who participated in the Placement (namely the Placement Participants) (or their nominees); or
- an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chair to vote on this Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on this Resolution; and
 - the holder votes on this Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 5 – Change to scale of activities

To consider, and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, subject to all other Transaction Resolutions being passed, for the purposes of Listing Rule 11.1.2 and all other purposes, approval is given for the Company to make a significant change to the scale of its activities by undertaking the Proposed Transaction, on the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by a counterparty to the transaction that, of itself or together with one or more transactions, will result in a significant change to the nature or scale of the entity’s activities and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the entity) or an associate of that person or persons.

However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chair to vote on this Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on this Resolution; and
 - the holder votes on this Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 6 – Approval of issue of Shares to Donald Ncube and his associates under the Proposed Transaction

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, subject to all other Transactions Resolutions being passed, for the purposes of item 7 of section 611 of the Corporations Act, and for all other purposes, Shareholder approval is given for:

- (a) *the Company to issue up to 230,625,011 Shares to Don and Jennifer Holdings (Pty) Ltd (and/or its nominees);*

- (b) *the Company to issue up to 31,882,751 Shares to Donald Ncube (and/or his nominees); and*
- (c) *Donald Ncube and his associates (and/or his nominees) to acquire a Relevant Interest in the Shares as a result of being issued Shares at completion of the Proposed Transaction, which increases Ncube’s Voting Power in the Company:*
- (i) *from 20% or below to more than 20%; and*
- (ii) *from a starting point that is above 20% and below 90%,*

as partial consideration for the Company acquiring 51% of Afro Energy (Pty) Ltd in accordance with the Restructure Agreement, as set out in the Explanatory Statement.”

Voting exclusion statement

In accordance with Item 7, Section 611 of the Corporations Act, no votes may be cast in favour of:

- the person proposing to make the acquisition and their associates; or
- the persons (if any) from whom the acquisition is to be made and their associates.

Accordingly, the Company will disregard any votes cast on this Resolution by Don and Jennifer Holdings (Pty) Ltd (or its nominee) and Donald Ncube (or his nominee) and an associate of those persons.

Independent Expert’s Report:

Shareholders should carefully consider the IER prepared by the Independent Expert for the purposes of the Shareholder approvals required under section 611 (item 7) of the Corporations Act. The IER comments on the fairness and reasonableness of the Proposed Transaction the subject of Resolution 6 and Resolution 9 to the non-associated Shareholders in the and has concluded that the proposals the subject of Resolution 6 and Resolution 9 is **not fair but reasonable** to the non-associated Shareholders in the Company.

Resolution 7 – Approval for the issue of Shares to the Badimo Shareholders (other than Mr Ncube and his associates) under the Proposed Transaction

To consider and, if thought fit, pass the following Resolution as an **ordinary resolution**:

“That, subject to all other Transaction Resolutions being passed, for the purpose of Listing Rule 7.1, and for all other purposes, Shareholders approve the issue of up to 261,863,716 Shares to the Badimo Shareholders (other than Mr Ncube and his associates) (or their nominee) on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- Badimo Shareholders (other than Mr Ncube and his associates) (or their nominee); and
- any other person who will obtain a material benefit as a result of the issue (except a benefit solely by reason of being a holder of ordinary securities in the entity); or
- an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chair to vote on this Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on this Resolution; and
 - the holder votes on this Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolutions 8(a) and (b) – Appointment of Proposed Directors

To consider and, if thought fit, to pass the following Resolution as an **ordinary resolution**:

“That, subject to all other Transaction Resolutions being passed, and for all other purposes,

(a) Donald Ncube; and

(b) Robert Bulder

having provided conditional consents to act as Directors, be appointed as Directors pursuant to clause 11.2 of the Constitution with effect from completion of the Proposed Transaction”.

Resolution 9 – Approval of acquisition by the Company of a Relevant Interest in Shares

To consider and, if thought fit, pass the following Resolution as an **ordinary resolution**:

“That, subject to all other Transaction Resolutions being passed, for the purposes of item 7 of section 611 of the Corporations Act, and for all other purposes, approval is given to the Company for the acquisition by the Company of a Relevant Interest in the Voluntary Escrowed Shares as a result of the Company entering into voluntary escrow agreements as described in the terms and conditions set out in the Explanatory Statement.”

Voting exclusion statement

In accordance with Item 7, Section 611 of the Corporations Act, no votes may be cast in favour of:

- the person proposing to make the acquisition and their associates; or
- the persons (if any) from whom the acquisition is to be made and their associates.

Accordingly, the Company will disregard any votes cast on this Resolution by any person who is party to a voluntary escrow agreement and any associates of those persons.

Independent Expert’s Report:

Shareholders should carefully consider the IER prepared by the Independent Expert for the purposes of the Shareholder approvals required under section 611 (item 7) of the Corporations Act. The IER comments on the fairness and reasonableness of the Proposed Transaction the subject of Resolution 6 and Resolution 9 to the non-associated Shareholders in the and has concluded that the proposals the subject of Resolution 6 and Resolution 9 is **not fair but reasonable** to the non-associated Shareholders in the Company.

Resolution 10 – Approval for the issue of Performance Options to Nick De Blocq

To consider and, if thought fit, pass the following Resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 2,000,000 Performance Options to Nick De Blocq (or his nominee) on the terms and conditions set out in the Explanatory Memorandum.”

Voting exclusion statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- Nick De Blocq (or his nominee); and
- any other person who will obtain a material benefit as a result of the issue (except a benefit solely by reason of being a holder of ordinary securities in the entity); or
- an associate of that person (or those persons).

However, this does not apply to a vote cast in favour of the Resolution by:

- a person as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on this Resolution, in accordance with a direction given to the Chair to vote on this Resolution as the Chair decides; or

- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on this Resolution; and
 - the holder votes on this Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 11 - Approval of 10% Placement Facility

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **special resolution**:

“That, in accordance with Listing Rule 7.1A, and for all other purposes, approval be given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company, on the terms and conditions set out in the Explanatory Statement.”

OTHER BUSINESS

In accordance with section 250S(1) of the Corporations Act, Shareholders are invited to ask questions about or make comments on the management of the Company and to raise any other business which may lawfully be brought before the Meeting.

BY ORDER OF THE BOARD

Simon Whybrow
Company Secretary
Kinetiko Energy Ltd

31 October 2022

EXPLANATORY STATEMENT

IMPORTANT INFORMATION

This Explanatory Statement has been prepared for the information of the Shareholders of Kinetiko Energy Ltd (ACN 141 647 529) (“**Company**”) in connection with the Resolutions to be considered at the Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company, which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Meeting.

This Notice and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how to vote, they should seek advice from their professional adviser prior to voting.

INTERPRETATION

Capitalised terms which are not otherwise defined in this Notice and Explanatory Statement have the meanings given to those terms under the Definitions section.

NOTE

If you have recently changed your address or if there is any error in the name and address used for this Notice please notify the Company Secretary. In the case of a corporation, notification is to be signed by a Director or Company Secretary.

References to “\$” and “A\$” in this Notice and Explanatory Statement are references to Australian currency unless otherwise stated.

References to time in this Notice and Explanatory Statement relate to the time in Perth, Western Australia.

VOTING EXCLUSION STATEMENTS

Certain voting restrictions apply to the Resolutions as detailed beneath the applicable Resolutions in the Notice.

PROXIES

Please note that:

- a Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- a proxy need not be a Shareholder;
- a Shareholder may appoint a body corporate or an individual as its proxy;
- a body corporate appointed as a Shareholder’s proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder’s proxy; and
- Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

To vote by proxy, please complete and sign the enclosed Proxy Form and send by:

- at Automic, Level 5, 126 Philip Street, Sydney, NSW, 2000;
- at GPO Box 5193, Sydney, NSW, 2001; or
- on facsimile number +61 2 8583 3040,

not later than 3:00pm (WST) on 28 November 2022.

VOTING ENTITLEMENTS

In accordance with Regulations 7.11.37 and 7.11.38 of the *Corporations Regulations 2001* (Cth), the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the register of Shareholders at 4:00pm (WST) on 28 November 2022.

Accordingly, transactions registered after that time will be disregarded in determining a Shareholder's entitlement to attend and vote at the Meeting.

REGULATORY INFORMATION

1 Restructure of the Company's interest in Afro Energy (Pty) Limited

1.1 Background

In 2010, the Company partnered with Badimo Gas (Pty) Ltd ("**Badimo**") by entering into an unincorporated joint venture agreement whereby, the Company held a 49% interest and Badimo held a 51% interest in various exploration rights ("**UJV Agreement**"). During 2013, Badimo and the Company agreed to corporatize their interests and arranged for their various interests in South African exploration rights to be transferred to a South African registered company named Afro Energy (Pty) Ltd ("**Afro Energy**") in which the Company and Badimo would hold 49% and 51% respectively of the entire issued share capital of Afro Energy.

In May 2021, the Company, Badimo and Afro Energy ("**Parties**") entered into a binding terms sheet whereby the Parties agreed that the relationship between Badimo, Kinetiko and Afro Energy would be restructured so that Afro Energy will become a wholly owned subsidiary of Kinetiko and that the shareholders of Badimo would become Shareholders in Kinetiko ("**Restructure**"). The purposed of the Restructure is to ensure an alignment of strategy and enhanced capital raising capacity.

On 23 December 2021 the Parties entered into a Restructure Agreement ("**Restructure Agreement**") (as varied by a Letter Agreement dated 21 September 2022 that extended the date for all conditions to be satisfied under the Restructure Agreement and set a floor and ceiling issue price of Transaction Capital Raising Shares (defined below) given ongoing market volatility) which sets out the process of the Restructure, including whereby the Company will issue up to 524,371,478 Shares pro-rata to the Badimo Shareholders ("**Transaction Shares**"), being 597,704,812 Shares ("**Consideration Shares**") less the Transaction Capital Raising Shares (defined below), to the Badimo Shareholders on the terms outlined below ("**Proposed Transaction**").

1.2 Transaction Capital Raising and Afro Energy Subscription

In accordance with the Restructure Agreement, the Company will undertake a placement of Shares to Exempt Investors to raise approximately \$6,500,000 at an issue price per Share of not more than \$0.15 per Share and not less than \$0.075 per Share ("**Transaction Capital Raising**"). As the issue price for the Transaction Capital Raising will not be more than \$0.15 per Share, the minimum number of Shares that may be issued under the Transaction Capital Raising is a minimum of 43,333,334 ("**Transaction Capital Raising Shares**").

Upon completion of the Transaction Capital Raising, Afro Energy will issue 922 new shares in Afro Energy to the Company for an aggregate subscription price equal to the South African rand equivalent of AUD \$6,500,000, payable in cash to Afro Energy (being the amount raised under the Placement) ("**Afro Energy Subscription**"). Accordingly, the number of Consideration Shares to be issued by the Company to the Badimo Shareholders will be reduced by the number of Placement Shares (as the Company is advancing \$6.5 million in cash to Afro Energy pursuant to the Afro Energy Subscription).

1.3 Ncube Settlement Deed

The Company previously assumed \$900,000 worth of debt owed by Mr Ncube to the Industrial Development Corporation of South Africa ("**IDC**") in order to facilitate a joint development agreement ("**JDA**") between the IDC and Afro Energy to co-develop a gas production field. Accordingly, the Company entered into an agreement with Mr Ncube on 22 September 2022 ("**Ncube Settlement Deed**") whereby the Company will reduce the number of Consideration Shares to be issued to Mr Ncube by 30,000,000 Shares ("**Ncube Settlement Shares**") to settle

this \$900,000 debt (“**Ncube Settlement**”). As a result, 30,000,000 less Consideration Shares will be issued to Mr Ncube under the Proposed Transaction.

1.4 Transaction Shares

Of the total Consideration Shares to be issued under the Restructure Agreement, the Company is proposing to issue up to:

- (i) 262,507,762 Shares to Donald Ncube and his associates, including Don and Jennifer Holdings (Pty) Ltd (being the Badimo Shareholders that the Company is seeking Shareholder approval to issue Shares to pursuant to item 7, section 611 of the Corporations Act, the subject of Resolution 6 of this Notice); and
- (ii) 261,863,716 Shares to the remaining shareholders of Badimo other than Donald Ncube (and his associates) (being the Badimo Shareholders (other than Donald Ncube and his associates) the Company is seeking Shareholder approval to issue Shares to for pursuant to Listing Rule 7.1, the subject of Resolution 7 of this Notice).

In accordance with the terms of the Restructure Agreement, the Company has agreed to issue the Shares detailed above to the Badimo Shareholders pro-rata to their respective shareholding in Badimo, as set out at Item 1 of Schedule 1.

Once the Proposed Transaction completes pursuant to the Restructure Agreement, the Company will own 100% of the issued share capital of Afro Energy.

Completion of the Proposed Transaction will constitute a significant change to the scale of the Company’s activities. Therefore, ASX requires the Company to obtain Shareholder approval for the change to the scale of its activities under Listing Rule 11.1.2 in order to complete the Proposed Transaction.

1.5 Restructure Agreement

Pursuant to the Restructure Agreement, the following steps will be taken in order to complete the Proposed Transaction:

- The Company will undertake the Transaction Capital Raising.
- Upon completion of the Transaction Capital Raising, the Afro Energy Subscription will be completed.
- Upon completion of the Afro Energy Subscription, Afro Energy agrees to use the proceeds of the Transaction Capital Raising to repay its loan obligations and to buy back the 51 shares held by Badimo in Afro Energy such that the Company shall hold 100% of the equity of Afro Energy and that Afro Energy will have no further indebtedness to Badimo (“**Share Buy-Back**”).
- The Company will then issue the Transaction Shares to the Badimo Shareholders pro-rata to their entitlements as set out in Item 1 of Schedule 1 (subject to the reduction of Shares to be issued to Mr Ncube pursuant to the Ncube Settlement Deed as set out at paragraph 1.3).
- A further component of the Proposed Transaction is that the Badimo Shareholders have voluntarily agreed to place the Consideration Shares they receive in escrow (“**Voluntary Escrow**”), which restricts the disposal of their holdings in the Company. A portion of the Consideration Shares will be escrowed for between 12 and 27 months from issue. Two

of the Company's Directors Messrs Sierakowski and Michael, have also agreed to Voluntary Escrow 59,932,431 Shares and 39,416,757 Shares respectively on the same terms pursuant to the Restructure Agreement. Refer to Schedule 1 for an outline of the Voluntary Escrow arrangements with the Badimo Shareholders and Messrs Sierakowski and Michael.

- Completion and issue of the Transaction Shares is subject to the following conditions being satisfied or waived:
 - (i) **(approval)** each party having obtained all authorisations of any Regulatory Authority or its shareholders which are necessary to implement the transactions contemplated by Restructure Agreement including, in the case of the Company, for the purposes of item 7 section 611 of the Corporations Act (being Resolution 6, the subject of this Notice);
 - (ii) **(Additional regulatory approvals and tax advice)** South African Regulatory Authority approval including, South African Reserve Bank (where applicable);
 - (iii) **(ASX position)** ASX maintaining its position that the Company is not required to re-comply with Chapters 1 and 2 of the Listing Rules for the purposes of completing the Restructure;
 - (iv) **(Material Adverse Change)** no Material Adverse Change having occurred on or before Completion; and
 - (v) **(no default)** no material default or breach of the Restructure Agreement by Badimo or Afro Energy prior to completion of the Proposed Transaction.
- As at the date of this Notice, conditions (ii) and (iii) have been satisfied.
- The Company will appoint Donald Ncube and Robert Bulder as representatives of Badimo to the Board (being Resolutions 8(a) and (b), the subject of this Notice).

The Restructure Agreement is otherwise on terms and conditions considered standard for agreements of this nature, including warranties and indemnities.

2 Placement

2.1 Background

On 10 October 2022, the Company announced that it was conducting a placement to raise \$5,092,000 (before costs) through the issue of 56,577,777 Shares ("**Placement Shares**") at an issue price of \$0.09 per share ("**Placement**") in the two tranches with:

- (a) 37,457,777 Shares pursuant to the first tranche under Listing Rule 7.1 on 30 October 2022 ("**Tranche 1**"); and
- (b) 19,120,000 Shares issued pursuant to the second tranche under Listing Rule 7.1A on 30 November 2022 ("**Tranche 2**").

The Company is seeking shareholder approval pursuant to Resolutions 4(a) and (b), the subject of this Notice, to ratify the prior issue of 56,777,777 Shares pursuant to Listing Rule 7.4, previously issued to the Placement Recipients under the Company's placement capacity pursuant to Listing Rule 7.1 and 7.1A.

AC2 Solutions (Proprietary) Limited received 5% of funds raised under the Placement and Trident Capital (an entity in which Adam Sierakowski is a director and shareholder) received 1% of funds raised under the Placement in relation to the provision of corporate advisory services provided to the Company in relation to the Placement. The Board (excluding Mr Sierakowski) considered that the agreement with Trident Capital was reasonable in the circumstances and was negotiated on an arm's length basis and, as a result, Shareholder approval was not required for the Company to give a financial benefit to Trident Capital.

3 Proposed Indicative Capital Structure

The indicative capital structure of the Company following completion of the Proposed Transaction and the Transaction Capital Raising (assuming no other securities are issued, and no other existing securities are exercised or converted into Shares) is set out below:

Security	Number	
	Transaction Capital Raising conducted at an issue price of \$0.15 per Share	Transaction Capital Raising conducted at an issue price of \$0.075 per Share
Existing Shares ¹	686,073,969	686,073,969
Placement Shares ²	56,577,777	56,577,777
Transaction Capital Raising Shares ³	43,333,334	86,666,667
Transaction Shares ⁴	524,371,478	511,038,145
Total Shares on issue following completion of the Proposed Transaction	1,310,356,558	1,340,356,558
Options currently on issue	3,000,000	3,000,000
Fully diluted capital structure	1,313,356,558	1,343,356,558

Notes:

- Existing Shares on issue as at the date of this Notice.
- As set out at Section 2.1, a total of 56,577,777 Shares issued pursuant to the Placement.
- The total number of Transaction Capital Raising Shares to be issued by the Company will depend on the issue price per Transaction Capital Raising Share issued under the Transaction Capital Raising. The Transaction Capital Raising Shares will be issued at an issue price per Share not greater than \$0.15 per Share and not less than \$0.075. Accordingly, a minimum of 43,333,334 Shares and a maximum of 86,666,667 Shares will be issued pursuant to the Transaction Capital Raising.
- The total number of Transaction Shares to be issued by the Company will depend on the total number of Transaction Capital Raising Shares issued under the Transaction Capital Raising (as the Transaction Shares totals the Consideration Shares less the Transaction Capital Raising Shares). As the Transaction Capital Raising is being conducted at an issue price per Share of not greater than \$0.15 per Share (and a minimum of 43,333,334 Transaction Capital Raising Shares will be issued), a maximum of 524,371,478 Transaction Shares will be issued to the Badimo Shareholders, as the

Transaction Capital Raising Shares will be deducted from the Consideration Shares. Resolution 6 seeks Shareholder approval for the issue of up to 262,507,762 Shares to Donald Ncube and his associates and Resolution 7 seeks Shareholders approval for the issue of up to 261,863,716 Shares to the Badimo Shareholders (other than Mr Ncube and his associates).

4 Proposed Indicative Timetable

The proposed indicative timetable for the completion of the Restructure is as follows:

Event	Date
Execution of the Restructure Agreement	23 December 2021
Execution of Letter Agreement (amending the Restructure Agreement)	22 September 2022
Completion of the Transaction Capital Raising	by 30 March 2023
Completion of the Afro Energy Subscription	by 27 April 2023
Settlement of Afro Energy Loan and Completion of Share Buy-Back	by 4 May 2023
Escrow Agreements entered into	by 5 May 2023
Issue of Transaction Shares	by 11 May 2023
Appointment of Donald Ncube and Robert Bulder as Directors of Kinetiko	by 22 June 2023
Release of the Transaction Shares from Escrow	In accordance with the dates provided in the respective Escrow Deeds
Winding up of Badimo	by 25 June 2023

Note:

The indicative dates provided above are provided based on the latest possible date for each event as required by the Restructure Agreement (as amended by the Letter Agreement). As such, the Company is required to complete the Transaction Capital Raising by no later than 30 March 2022. If the Company completes the Transaction Capital Raising prior to 30 March 2022, the subsequent events to complete the Proposed Transaction will occur prior to the date provided above.

5 Annual Report

The Annual Report of the Company for the financial year ended 30 June 2022, which includes the Financial Report, the Directors' Report, the Remuneration Report and the Auditor's Report, will be laid before the Annual General Meeting.

There is no requirement for Shareholders to approve the Annual Report. However, the Chair will allow a reasonable opportunity for Shareholders to ask questions or make comments about the Annual Report and the management of the Company.

A representative of the Company's auditor, BDO Audit (WA) Pty Ltd, will be in attendance to respond to any questions raised of the auditor or on the Auditor's Report in accordance with section 250T of the Corporations Act.

6 Resolution 1 – Remuneration Report

Section 249L(2) of the Corporations Act requires a company to inform shareholders that a resolution on the remuneration report will be put at the annual general meeting. Section 250R(2) of the Corporations Act requires a resolution that the remuneration report adopted be put to a vote. Resolution 1 seeks this approval.

In accordance with section 250R(3) of the Corporations Act, Shareholders should note that Resolution 1 is an "advisory only" Resolution which does not bind the Directors or the Company. However, the Directors take the discussion at the meeting and the outcome of the vote into account when considering the Company's remuneration practices.

Following consideration of the Remuneration Report for the financial year ended 30 June 2022, the Chair, in accordance with section 250SA of the Corporations Act, will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

If at least 25% of the votes cast on a resolution for the adoption of a Remuneration Report are voted against at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution proposing that another general meeting be held within 90 days, at which all of the Company's Directors (other than the Managing Director) would be up for re-election.

6.1 Directors' recommendations

The Directors encourage all Shareholders to vote on Resolution 1.

7 Resolution 2 – Re-election of Geoffrey Michael

Resolution 2 is an ordinary resolution which seeks to approve the re-election of Geoffrey Michael as a Non-Executive Director of the Company.

In accordance with clause 11.1 of the Constitution, at every Annual General Meeting, one third of the Directors for the time being must retire from office by rotation and are eligible for re-election. The Directors to retire are those who have been in office for 3 years since their appointment or last re-appointment or who have been longest in office since their appointment or last re-appointment or, if the Directors have been in office for an equal length of time, by agreement.

These requirements for a Director to retire do not apply to a Managing Director (but if there is more than one Managing Director, only one is exempt from retirement).

In determining the number and identity of the Directors to retire by rotation, the Managing Director and any Director seeking election after appointment by the Board to fill a casual vacancy are not considered.

Mr Michael retires by rotation at this meeting and, being eligible, offers himself for re-election.

A brief biography of Mr Michael is set out below.

7.1 Mr Michael's Biography

Mr Michael has been an Executive Director of various companies, investment syndicates and enterprise start-ups across a range of asset classes for more than 25 years.

His experience ranges from property development and investment to resources, mining services, civil engineering and contracting, to information technology and hospitality. These activities have been carried out in Australia, Europe, Asia and Southern Africa. He has approximately ten years continuous experience to date as a Non-Executive Director of ASX-listed company Kinetiko Energy Ltd. The Board considers Mr Michael to be an independent director.

7.2 Directors' recommendations

The Directors (other than Mr Michael) unanimously recommend that Shareholders vote in favour of Resolution 2.

The Chair intends to exercise all available proxies in favour of Resolution 2.

8 Resolution 3 – Ratification of prior issue of Shares

8.1 Background

Resolution 3 seeks Shareholder approval to ratify the prior issue of 2,000,000 Shares pursuant to Listing Rule 7.4, previously issued to Mr Justin Malouf under the Company's placement capacity pursuant to Listing Rule 7.1.

8.2 Listing Rule 7.1

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over a 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

The issue of Shares does not fall within any of those exceptions and, as it has not been approved by the Company's shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1. This reduces the Company's capacity to issue further equity securities without shareholder approval under Listing Rule 7.1 for the 12 months following the date of issue of the Shares.

8.3 Listing Rule 7.4

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue has been taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain shareholder approval for such issues under Listing Rule 7.1 and Listing Rule 7.1A.

8.4 Listing Rule 14.1A

If Resolution 3 is passed, the issue of 2,000,000 Shares will be excluded in calculating the Company's 15% limit for the purposes of Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without shareholder approval over the 12-month period following the date of issue of the Shares.

If Resolution 3 is not passed, the issue of 2,000,000 Shares will be included in calculating the Company's 15% limit for the purposes of Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without shareholder approval over the 12-month period following the date of issue of the Shares.

8.5 Information required pursuant to Listing Rule 7.5

Listing Rule 7.5 requires that the following information be provided to the Shareholders in relation to obtaining approval of Resolution 3 for the purposes of Listing Rule 7.4:

(i) **Names of the persons to whom the entity will issue the securities (if known) or basis upon which those persons will be identified or selected**

The Shares were issued to Mr Justin Malouf.

In accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that Mr Malouf:

- is not considered a related party of the Company, a member of the Company's Key Management Personnel, a substantial holder of the Company, an adviser of the Company or an associate of any of these parties; and
- was not issued more than 1% of the issued capital of the Company.

(ii) **Maximum number of securities the entity issued**

A total of 2,000,000 Shares were issued under Listing Rule 7.1.

(iii) **Terms of the securities**

The Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with existing Shares on issue.

(iv) **Date by which the entity issued the securities**

The Shares issued were issued on 13 September 2022

(v) **Issue price of the securities**

The issue price of the Shares was \$0.075 per Share.

(vi) **Purpose of the issue and the intended use of the funds raised**

The purpose of the issue was to raise \$150,000 and was used towards general working capital purposes.

8.6 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 3.

The Chair intends to exercise all available proxies in favour of Resolution 3.

9 Resolutions 4(a) and (b) – Ratification of prior issue of Placement Shares

9.1 Background

Resolutions 4(a) and (b) seek Shareholder approval to ratify the prior issue of 56,577,777 Shares ("Placement Shares") pursuant to Listing Rule 7.4, previously issued to the Placement Recipients under the Company's placement capacity pursuant to Listing Rule 7.1 and 7.1A.

As at the date of this Notice, the Placement Shares have not been issued, however, the Shares issued under Tranche 1 will be issued on 30 October 2022 and the Shares issued under Tranche 2 will be issued on 30 November 2022.

9.2 Listing Rule 7.1 and 7.1A

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over a 12-month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Listing Rule 7.1A provides that an eligible entity may seek shareholder approval at its annual general meeting to allow it to issue equity securities comprising up to 10% of its issued capital. The Company obtained this approval at its annual general meeting on 8 December 2021.

The issue of the Placement Shares does not fall within any of those exceptions and, as it has not been approved by the Company's shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1 and the Company's 10% placement capacity under Listing Rule 7.1A. This reduces the Company's capacity to issue further equity securities without shareholder approval under Listing Rule 7.1 and under Listing Rule 7.1A for the 12 months following the date of issue of the Placement Shares.

9.3 Listing Rule 7.4

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue has been taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain shareholder approval for such issues under Listing Rule 7.1 and Listing Rule 7.1A.

If Resolutions 4(a) and (b) are passed, the issue of the Placement Shares will be excluded in calculating the Company's 15% limit in Listing Rule 7.1 and the Company's 10% limit in Listing Rule 7.1A, effectively increasing the number of equity securities it can issue without shareholder approval over the 12-month period following the date of issue of the Placement Shares.

If Resolutions 4(a) and (b) are not passed, the issue of the Placement Shares will be included in calculating the Company's 15% limit in Listing Rule 7.1 and the Company's 10% limit in Listing Rule 7.1A, effectively decreasing the number of equity securities it can issue without shareholder approval over the 12-month period following the date of issue of the Placement Shares.

9.4 Listing Rule 14.1A

If Resolution 4(a) is passed, the issue of 37,457,777 Shares under Tranche 1 of the Placement will be excluded in calculating the Company's 15% limit for the purposes of Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without shareholder approval over the 12-month period following the date of issue of the Shares.

If Resolution 4(b) is passed the issue of 19,120,000 Shares under Tranche 2 of the Placement will be excluded in calculating the Company's 10% limit for the purposes of Listing Rule 7.1A, effectively increasing the number of Equity Securities it can issue without shareholder approval over the 12-month period following the date of issue of the Shares.

If Resolution 4(a) is not passed, the issue of 37,457,777 Shares under Tranche 1 of the Placement will be included in calculating the Company's 15% limit for the purposes of Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without shareholder approval over the 12-month period following the date of issue of the Shares.

If Resolution 4(b) is not passed, the issue of 19,120,000 Shares under Tranche 2 of the Placement will be included in calculating the Company's 10% limit for the purposes of Listing Rule 7.1A, effectively decreasing the number of Equity Securities it can issue without shareholder approval over the 12-month period following the date of issue of the Shares.

9.5 Information required pursuant to Listing Rule 7.5

Listing Rule 7.5 requires that the following information be provided to the Shareholders in relation to obtaining approval of Resolutions 4(a) and (b) for the purposes of Listing Rule 7.4:

(i) **Names of the persons to whom the entity will issue the securities (if known) or basis upon which those persons will be identified or selected**

The Placement Shares will be issued to the Placement Recipients, comprising of professional and sophisticated investors being Phefo Power (Pty) Limited ("**Phefo Power**"), Brendan Gore and Bongani Raziya.

In accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that:

- Phefo Power and Brendan Gore are considered substantial holders of the Company, however, are not considered related parties of the Company, members of the Company's Key Management Personnel, advisers of the Company or associates of any of these parties. Bongani Raziya is not considered a related party of the Company, a member of the Company's Key Management Personnel, a substantial holder of the Company, an adviser of the Company or an associate of any of these parties; and
- Phefo Power and Brendan Gore are the recipients to receive more than 1% of the issued capital of the Company, totalling a shareholding of 14.7% and 10.5% respectively after the issue of Placement Shares the subject of these Resolutions 4(a) and (b).

AC2 Solutions (Proprietary) Limited received 5% of funds raised under the Placement and Trident Capital (an entity in which Adam Sierakowski is a director and shareholder) received 1% of funds raised under the Placement in relation to the provision of corporate advisory services provided to the Company in relation to the Placement. The Board (excluding Mr Sierakowski) considered that the agreement with Trident Capital was reasonable in the circumstances and was negotiated on an arm's length basis and, as a result, Shareholder approval was not required for the Company to give a financial benefit to Trident Capital.

(ii) **Maximum number of securities the entity issued**

A total of 57,577,777 Shares will be issued, with 37,457,777 Shares pursuant to Tranche 1 under Listing Rule 7.1 and 19,120,000 Shares issued pursuant to Tranche 2 under Listing Rule 7.1A.

(iii) **Terms of the securities**

The Placement Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with existing Shares on issue.

(iv) **Date by which the entity issued the securities**

As at the date of this Notice, the Placement Shares have not been issued, however, the Shares issued under Tranche 1 will be issued on 30 October 2022 and the Shares issued under Tranche 2 will be issued on 30 November 2022.

(v) **Issue price of the securities**

The issue price of the Placement Shares will be \$0.09 per Share.

(vi) **Purpose of the issue and the intended use of the funds raised**

The purpose of the issue is to raise \$5,092,000 and will be used towards:

- Accelerating the Company's exploration strategy with exploration programs to drill 7 core wells;
- the Company's joint venture obligations; and
- general working capital purposes.

(vii) **If the securities will be issued under an agreement, a summary of the material terms of the agreement**

The issue of Placement Shares to Phefo Power, Brendan Gore and Bongani Raziyawere issued under subscription agreements ("**Subscription Agreements**"), the material terms of which are as follows:

- Phefo Power subscribed for a total of 47,800,000 Shares at a subscription price of \$0.09 per Share, Brendan Gore subscribed for a total of 1,977,778 Shares at a subscription price of \$0.09 per Share and Bongani Raziya subscribed for a total of 5,777,777 Shares at a subscription price of \$0.09 per Share; and
- Phefo Power was granted the option to subscribe for an additional \$R30m worth of Shares on or before 28 February 2023 at a subscription price that is the greater of the 14-day VWAP of Shares at the time the option is exercised or \$0.09.

The Subscription Agreements are otherwise on terms and conditions considered standard for agreement of this nature.

9.6 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolutions 4(a) and (b).

The Chair intends to exercise all available proxies in favour of Resolutions 4(a) and (b).

10 Resolution 5 – Change to Scale of Activities

10.1 Background

Resolution 5 is an ordinary resolution that seeks Shareholder approval under Listing Rule 11.1.2 to the change in the scale of the Company's activities contemplated by the Proposed Transaction.

10.2 Listing Rule 11.1

Listing Rule 11.1 provides that where an entity proposed to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- provide ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- if ASX requires, obtain shareholder approval and comply with any requirements of ASX in relation to the associated notice of meeting; and
- if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as the entity were applying for admission to the Official List.

Listing Rule 11.1.2 empowers ASX to require a listed company to obtain the approval of its shareholders to a significant change to the nature or scale of its activities. The Proposed Transaction will involve a significant change to the nature or scale of the Company's activities for these purposes and, as is its usual practice, ASX has imposed a requirement under Listing Rule 11.1.2 that the Company obtain shareholder approval to the Proposed Transaction.

Resolution 5 seeks the required shareholder approval to complete the Proposed Transaction under and for the purposes of Listing Rule 11.1.2.

ASX takes no responsibility for the contents of this Notice or Explanatory Statement.

10.3 Listing Rule 14.1A

If Resolution 5 is passed, the Company will be able to proceed with the Proposed Transaction and will acquire the outstanding 51% of Afro Energy that it does not already own making Afro Energy a wholly owned subsidiary and making the Company solely entitled to control Afro Energy and be entitled to 100% of the economic benefits derived from the Afro Energy Tenements.

If Resolution 5 is not passed, the Company will not be able to proceed with the Proposed Transaction and will remain a minority shareholder in Afro Energy, without complete control over its activities or revenue.

10.4 Information required by ASX Guidance Note 12

As required by ASX Guidance Note 12: *Significant Changes to Activities*, the following information is provided in relation to Resolution 5:

(i) Parties to and material terms of the Proposed Transaction

The parties to the Proposed Transaction are the Company, Badimo and the Badimo Shareholders. A summary of the key terms of the Restructure Agreement is in Section 1.5.

(ii) **Financial effect of the Proposed Transaction on the entity and on the interests of security holders**

Set out at Schedule 2 is a pro-forma statement of financial position of the Company prepared using the audited statement of financial position as at 30 June 2022 and on the basis of the accounting policies normally adopted by the Company and reflects the changes to its financial position as a result of the Proposed Transaction.

Upon Completion, existing Shareholders will be diluted by approximately 59.98%.

Refer to the Company's pro-forma statement of financial position at Schedule 3 for further information.

(iii) **Details of how the entity will be modifying its business model to accommodate the significant change in the scale of the entity's activities**

Other than as disclosed elsewhere in this Notice, the Board has no current intention of making any changes to the business model of the Company as a result of any significant change in the scale of the Company's activities which may arise in connection with the Proposed Transaction, other than to expand its business operations further in South Africa. The Company's operational staff possesses the expertise to maximize the efficiencies acquired as a result of the Proposed Transaction

(iv) **Information about the entity's need to borrow any funds or raise any capital in the short term as a result of the Proposed Transaction**

The Proposed Transaction will be paid for via the issue of the Transaction Shares to the Badimo Shareholders which is subject to the Company obtaining Shareholder approval under Resolution 6 for the purposes of item 7 of section 611 of the Corporations Act and Resolution 7 for the purposes of Listing Rule 7.1.

The Proposed Transaction provides that up to \$6,500,000 will be raised by the Company pursuant to the Transaction Capital Raising, however, these funds will be applied towards the Afro Energy Subscription (as referred to at Sections 1.2 and 1.5, above).

(v) **Changes proposed to the entity's board or senior management**

The Company will appoint Donald Ncube and Robert Bulder to the Board as Non-Executive Directors and Mr Michael will resign as a Director from Completion of the Proposed Transaction.

Please refer to Section 13 for further details of Mr Ncube and Mr Bulder.

(vi) **Timetable for implementing the Proposed Transaction**

An indicative timetable of the Proposed Transaction is set out at Section 2 above.

11 Resolution 6 – Approval for the issue of Shares to Donald Ncube and his associates under the Proposed Transaction

11.1 Background

Resolution 6 is an ordinary resolution that seeks Shareholder approval for the issue of up to 262,507,762 Shares to Donald Ncube and his associates (being Donald Ncube in his personal capacity and his associate Don and Jennifer Holdings (Pty) Ltd, an entity controlled by Mr Ncube) as required under, and for the purpose of, item 7 of section 611 of the Corporations Act, as

Donald Ncube (and his associates) will acquire a Relevant Interest in the Company's Shares on the terms and conditions and in the manner set out in this Explanatory Statement.

As outlined at Section 1.1, the Company entered into a Restructure Agreement (as varied by the Letter Agreement) with Badimo and the Badimo Shareholders, whereby Badimo and the Company have agreed to restructure their relationship such that the Company shall own 100% of Afro Energy and the Badimo Shareholders shall own Shares in Kinetiko. Refer to Section 1.5 for a summary of the terms of the Restructure Agreement.

Pursuant to the Restructure Agreement the Company is required to issue up to 524,371,478 Transaction Shares to the Badimo Shareholders pro-rata to their respective shareholding in Badimo. As a result, Donald Ncube and his associates will be issued up to 262,507,762 Shares, resulting in Mr Ncube (and his associates) acquiring a Relevant Interest in the Company's Shares, requiring the Company to seek prior Shareholder approval pursuant to item 7, section 611 of the Corporations Act.

11.2 Regulatory Requirements section 606 and Item 7 of section 611 of the Corporations Act

The issue of Shares to Donald Ncube (and his associates) requires Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act by way of an ordinary resolution, meaning that at least fifty percent (50%) of votes must be cast in favour of the Resolution in order for it to be passed.

(i) Takeover Prohibition

Section 606 of the Corporations Act prohibits a person from acquiring a Relevant Interest in the issued voting shares of a listed company if the acquisition would result in that person's (or another person's) Voting Power in the company increasing:

- from twenty percent (20%) or below to more than twenty percent (20%); or
- from a starting point that is above twenty percent (20%) and below ninety percent (90%).

(ii) Voting Power

The Voting Power of a person in a company is determined in accordance with section 610 of the Corporations Act. It is aimed at grouping together and counting the percentage of all voting shares in a company that are controlled by a person and its Associates (i.e. their Relevant Interests).

(iii) Relevant Interests

Section 608(1) of the Corporations Act provides that a person has a Relevant Interest in securities if that person:

- is the holder of the securities;
- has power to exercise, or control the exercise of, a right to vote attached to the securities; or
- has power to dispose of, or exercise control over the disposal of, the securities.

It is immaterial whether the power or control is direct or indirect, and it does not matter how remote the Relevant Interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that, if a body corporate has a Relevant Interest in securities, a person will also have a Relevant Interest in those securities if:

- the person has Voting Power in the body which is above twenty percent (20%); or
- the person controls the body.

(iv) **Associates**

In determining who is an Associate for the purposes of calculating a person's Voting Power, section 12(2) of the Corporations Act provides that:

- the following entities are Associates of a body corporate:
 - another body corporate which it controls;
 - another body corporate which controls it; and
 - another body corporate that is controlled by the same entity which controls it;
- a person will be an Associate of another person if they have, or propose to enter into, a relevant agreement for the purpose of controlling or influencing:
 - the composition of a body's board; or
 - the conduct of the body's affairs; and
- a person will be an Associate of another person if they are acting, or propose to act, in concert in relation to the affairs of a body.

(v) **Item 7 of section 611 of the Corporations Act**

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition in section 606 where the acquisition of the Relevant Interest has been approved by shareholders in a general meeting, provided that:

- no votes are cast in favour of the resolution by the person proposing to make the acquisition or their associates; and
- shareholders are given all information known to the acquirer or the company that was material to the decision on how to vote.

The acquisition of Shares by Donald Ncube (and his associates) as a result of being issued Shares under the Proposed Transaction will result in Donald Ncube (and his associates) acquiring a Relevant Interest in the Company's Shares which will potentially increase its Voting Power in the Company:

- from twenty percent (20%) or below to more than twenty percent (20%); or

- from a starting point that is above twenty percent (20%) and below ninety percent (90%).

Under section 606(6) of the Corporations Act, a person is taken to acquire a Relevant Interest in voting shares in a company if securities in which the person already had a Relevant Interest become voting shares in the company.

Based on certain assumptions, the maximum Voting Power that Donald Ncube (and his associates) may obtain in the Company as a result of being issued Shares at Completion of the Restructure Agreement is 20.03%. In addition, as the Voting Power of Mr Ncube (and his associates) will be in excess of 20% of the Shares upon Completion, Mr Ncube (and his associates) will be deemed to also have the Company's Relevant Interest in all of the Voluntary Escrowed Shares for the duration of the Escrow Periods (defined at Resolution 8 below). As a result, the maximum Voting Power that Mr Ncube (and his associates) may obtain is up to 47.60%.

The Company is seeking the approval of Shareholders under item 7 of section 611 of the Corporations Act for the purposes of section 606 of the Corporations Act because, at the time of issuing the Shares pursuant to this Resolution 6, Donald Ncube (and his associates) will hold Voting Power in the Company of up to 47.60% (which includes a deemed Relevant Interest in the Voluntary Escrowed Shares as a result of the Company's Relevant Interest pursuant to the Voluntary Escrow Agreements referred to at Resolution 98 below).

Accordingly, Resolution 6 seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act.

11.3 ASIC Regulatory Guide 74

The following information is included in accordance with the requirements of Item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 to the extent that it applies pursuant to ASIC Regulatory Guide 6:

(i) **Identity of persons who will hold a Relevant Interest in the securities to be issued**

The Shares proposed to be issued under Resolution 6 are:

- up to 230,625,011 to Don & Jennifer Holdings (Pty) Ltd (and/or its nominees); and
- up to 31,882,751 to Donald Ncube (or his nominee),

totalling, up to 262,507,762 Shares to Donald Ncube (and his associates).

(ii) **Impact of issue of the Shares on the Voting Power in the Company's Shares**

At the date of this Notice, Donald Ncube (and his associates) do not have a Relevant Interest in any Shares.

As outlined at Section 1.1 above, the total Transaction Shares to be issued under the Proposed Transaction pro-rata to the Badimo Shareholders totals the Consideration Shares less the Transaction Capital Raising Shares. As the Transaction Capital Raising will be conducted at an issue price of not greater than \$0.075 per Share and given the current issued Share capital of the Company as at the date of this Notice, the maximum Voting Power that Donald Ncube (and his associates) may obtain in the Company as a

result of being issued Shares at Completion of the Restructure Agreement is 47.60% (which includes a deemed Relevant Interest in the Voluntary Escrowed Shares as a result of the Company's Relevant Interest pursuant to the Voluntary Escrow Agreements referred to at Resolution 9 below).

(iii) **Intentions as to the future of the Company**

Upon Completion, the management team of the Company will comprise the persons outlined in the table below, on the following proposed terms.

Name	Position	Remuneration (inclusive of superannuation)
Adam Sierakowski	Executive Chairman	\$189,900
Tom Fontaine	Non-Executive Director	\$60,000
Nick De Blocq	Chief Executive Officer	\$240,000
Donald Ncube	Non-Executive Director	\$60,000
Robert Bulder	Non-Executive Director	\$60,000

As noted at section 10.4(v) above, Mr Michael who is a current Non-Executive Director of the Company at the date of this Notice, will be resigning as a Director upon completion of the Proposed Transaction.

Other than as disclosed in this Explanatory Statement and changes pursuant to the Resolutions, the Company understands that Donald Ncube (and his associates):

- intends to maintain the Company's current business, which is focused on exploration and the development of gas projects in South Africa;
- has no intention to otherwise redeploy the fixed assets of the Company;
- does not propose that any property will be transferred between the Company and Badimo or any person associated with Donald Ncube or Don & Jennifer Holdings (Pty) Ltd;
- does not intend to make any changes with regards to the employees or Directors other than the appointment of Mr Donald Ncube and Mr Robert Bulder to the Board; and
- does not presently propose to inject further capital in the Company.

(iv) **Financial and Dividend Policies of the Company**

The Board has not adopted a formal dividend distribution policy since being admitted to the ASX on 19 July 2011. Since then the Company has not declared a dividend distribution to Shareholders.

There is no immediate intention on the part of the Directors to change the financial and dividend policies of the Company or to declare a dividend.

(v) **Reasons for the Proposed Transaction**

In accordance with the Restructure Agreement, the Badimo Shareholders are to acquire the Transaction Shares in consideration of Badimo transferring 51% of the issued share capital in Afro Energy to the Company. Completion of the Restructure Agreement will result in Afro Energy becoming a wholly owned subsidiary of the Company.

Please refer to Sections 11.3(ix) and 11.3(x) for the key advantages and disadvantages of the Proposed Transaction.

(vi) **Timing of the Proposed Transaction**

The Badimo Shareholders will acquire a total of up to 524,371,478 Transaction Shares at Completion of the Restructure Agreement, and which is anticipated to be no later than 25 June 2023.

Of the total Transaction Shares being issued to the Badimo Shareholders, Donald Ncube (and his associates) will acquire a Relevant Interest in 47.60% in the Company's Shares (which includes a deemed Relevant Interest in the Voluntary Escrowed Shares as a result of the Company's Relevant Interest pursuant to the Voluntary Escrow Agreements referred to at Resolution 9 below).

(vii) **Material Terms of the Proposed Acquisition**

Details of the Proposed Transaction are set out in Section 1.1 and a summary of the key terms of the Restructure Agreement is set out in Section 1.5.

(viii) **Other Relevant Agreements**

Other than the Restructure Agreement and Terms Sheet as outlined at Section 1.1, no other relevant agreements exist between the Company and Donald Ncube and Don and Jennifer Holdings (Pty) Ltd, or any of its associates.

(ix) **Reasons to vote in favour of Resolution 6**

The Directors recommend that Shareholders vote in favour of Resolution 6 for the reasons set out below.

- Without the approval of the issue of Shares to Donald Ncube (and his associates), the Company would not be able to complete its acquisition of the Afro Energy Tenements and as a result will only retain a minority holding of 49% in Afro Energy.
- The Proposed Transaction represents a unique and attractive opportunity for the Company which will significantly strengthen its financial position.
- The change in scale of the Company's activities could attract new investors and may allow the Company to more readily raise additional working capital (if required) as such, the Company may increase its ability to acquire further projects.
- As the consideration for the remaining 51% interest in Afro Energy is payable in the form of the Consideration Shares instead of cash, the Company will not have to raise cash from its Shareholders or take on debt (which could increase default risks for Shareholders) specifically to fund the Proposed Transaction. The

Company's existing cash reserves can be conserved for developing its Projects and for other working capital purposes.

- The potential additional funds that will come from owning 100% of Afro Energy will provide the Company with sufficient capital moving forward to continue the exploration of the projects. The Company has made promising progress at its projects and will apply funding towards exploration core drilling, interval test drilling, pilot production costs and general working capital purposes.

(x) **Reasons to vote against Resolution 5**

Although the Directors recommend that Shareholders vote in favour of Resolution 6, the Directors consider that Shareholders may consider voting against Resolution 6 for the reasons set out below.

- The issue of Shares to Donald Ncube (and his associates) will dilute Shareholders interests in the Company.
- Following the issue of Shares the subject of this Resolution 6, due to the shareholding that Donald Ncube (and his associates) will now hold in the Company, this may reduce the likelihood of a third-party takeover of the Company, which means the non-associated Shareholders of the Company may miss the potential share price premium that is usually associated with takeover offers.

(xi) **Directors' Interests**

No Director has a material personal interest in the outcome of Resolution 6.

(xii) **Details about any person who is intended to become a director if members approve the acquisition**

Mr Donald Ncube and Mr Robert Bulder are proposed to be appointed to the Board if Shareholders approve the Proposed Transaction (pursuant to Resolutions 8(a) and (b), the subject of this Notice). Refer to section 13 of this Notice for a summary of the relevant qualifications and professional experience of Messrs Ncube and Bulder.

As provided for above, Mr Ncube is associated with one of the other Badimo Shareholders, Don & Jennifer Holdings (Pty) Ltd.

(xiii) **Independent Expert's Report**

The Independent Expert's Report assesses whether the transactions contemplated by Resolution 6 and Resolution 9 are fair and reasonable to the non-associated Shareholders of the Company. The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed acquisition under the Restructure Agreement. This assessment is designed to assist Shareholders in reaching their voting decision.

BDO Corporate Finance (WA) Pty Ltd has prepared the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in the Proposed Transaction is, on balance, **not fair but reasonable** to the non-associated Shareholders of the Company. It is recommended that all Shareholders read the Independent Expert's Report in full which is enclosed as Schedule 3 of this Notice.

(xiv) **Directors' Recommendation**

Each Director recommends that Shareholders approve Resolution 6.

The Chair intends to exercise all available proxies in favour of Resolution 6.

12 Resolution 7 – Approval for the Issue of Shares to the Badimo Shareholders (other than Mr Ncube and his associates) under the Proposed Transaction

12.1 Background

Resolution 7 is an ordinary resolution that seeks Shareholder approval under Listing Rule 7.1 for the issue of up to 261,863,716 Shares to the Badimo Shareholders (other than Mr Ncube and his associates) pursuant to the Proposed Transaction.

As set out at Section 1.1 above, the Company is seeking Shareholder approval for the issue of Shares to the Badimo Shareholders (other than Mr Ncube and his associates) in consideration for the acquisition of the remaining 51% of Afro Energy.

12.2 Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue (in the case of Listing Rule 7.1) and 10% of the company's ordinary securities then on issue (in the case of Listing Rule 7.1A).

The proposed issue of the Shares does not fall within any of the exceptions to Listing Rule 7.1 and the Company does not have sufficient placement capacity remaining under Listing Rule 7.1 or 7.1A to accommodate the issue. The Company therefore requires the approval of Shareholders under Listing Rule 7.1 for the issue of the Shares.

12.3 Listing Rule 14.1A

If Resolution 7 is approved by Shareholders, then the Shares will be excluded in calculating the Company's fifteen percent (15%) limit in Listing Rule 7.1 and the Company will retain the flexibility to issue Equity Securities in the future up to the fifteen percent (15%) placement capacity set out in Listing Rule 7.1 without the requirement to obtain prior Shareholder approval and the Company will be able to proceed with the issue of Shares to the Badimo Shareholders (other than Mr Ncube and his associates) pursuant to the Proposed Transaction.

If Resolution 7 is not approved by Shareholders, the Company will not have sufficient placement capacity under Listing Rule 7.1 and will not be able to proceed with the Proposed Transaction.

12.4 Information Required by Listing Rule 7.3

(i) **Names of the persons to whom the entity will issue the securities (if known) or basis upon which those persons will be identified or selected**

The Shares are to be issued to the Badimo Shareholders (other than Mr Ncube and his associates) pro-rata to their shareholding in Badimo, in accordance with Item 1 of Schedule 1 in consideration of all of the issued capital in Afro Energy.

In accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that of the Badimo Shareholders (other than Mr Ncube and his associates):

- Paul Lewis Tromp and Robert James Macmillan will be substantial holders of over 5% of the issued capital of the Company; and
- Robert Bulder and Sven Louw Bulder will acquire more than 1% in the Share capital of the Company,

upon Completion of the Proposed Transaction.

Robert Bulder is also considered to be a related party as defined by Chapter 19 of the Listing Rules (by virtue of being appointed as a Director in the future). However, the Company will not be seeking Shareholder approval for the issue of Shares to Mr Bulder pursuant to Listing Rule 10.11 as it has relied on exception 12 in Listing Rule 10.12 which states, that an entity may issue securities to a related party if the issue of securities under an agreement or transaction between the entity and a person who would not otherwise be a related party but for the fact that they believe, or have reasonable grounds to believe, that they are likely to become a related party in the future because of the agreement or transaction.

Donald Ncube (and his associates), who is also a Vendor will hold up to 47.60% upon Completion of the Proposed Transaction and the issue of Shares to him is the subject of Resolution 6 (which includes a deemed Relevant Interest in the Voluntary Escrowed Shares as a result of the Company's Relevant Interest pursuant to the Voluntary Escrow Agreements referred to at Resolution 9 below).

(ii) **Maximum number of securities the entity is to issue**

The maximum number of Shares to be issued to the Badimo Shareholders (other than Mr Ncube and his associates) is 261,863,716 Shares.

(iii) **Date by which the entity will issue the securities**

The Shares will be issued in accordance with the timetable provided at Section 2 above, and in any event, within 3 months of the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(iv) **Issue price of the securities**

The Shares will be issued at a deemed issue price per Share of not less than \$0.075 and not greater than \$0.15 per Share, as partial consideration under the Proposed Transaction. This means that the Badimo Shareholders will not be issued more than 261,863,716 Shares and no cash will be payable by the Badimo Shareholders as the Shares are being issued to satisfy the Company's obligations under the Restructure Agreement.

(v) **Terms of the securities**

The issue of Shares to the Badimo Shareholders (other than Mr Ncube and his associates) will rank equally in all respects with existing Shares on issue.

(vi) **Purpose and intended use of the funds raised**

No funds will be raised from the issue of Shares to the Badimo Shareholders and the purpose of the issue of Shares to the Badimo Shareholders (other than Mr Ncube and his associates) is to satisfy the Company's obligations under the Restructure Agreement with respect to the Proposed Transaction.

(vii) **If the securities will be issued under an agreement, a summary of the material terms of the agreement**

The Shares to be issued to the Badimo Shareholders (other than Mr Ncube and his associates) are being issued pursuant to the Restructure Agreement. Refer to section 1.5 above for a summary of the material terms and conditions of the Restructure Agreement (as amended by the Letter Agreement).

12.5 Directors' Recommendation

The Directors unanimously recommend that Shareholders approve Resolution 7.

The Chair intends to exercise all available proxies in favour of Resolution 7.

13 Resolutions 8(a) and (b) – Appointment of Proposed Directors

Resolutions 8(a) and (b) are ordinary resolutions that seek Shareholder approval to the appointment of Donald Ncube and Robert Bulder as Non-Executive Directors of the Company ("**Proposed Directors**").

Clause 11.2 of the Constitution provides that a person may be elected to the office of a director at a general meeting by Directors' nomination. The Directors may appoint any natural person to be a director either as an addition to the existing Directors or to fill a casual vacancy.

The appointment of the Proposed Directors will become effective from Completion. A brief profile of Donald Ncube and Robert Bulder is set out below.

(i) **Donald Ncube**

Donald Ncube graduated with a master's degree in Manpower Studies at the University of Manchester in December 1984.

Mr Ncube is recognised and respected as one of the reputable pioneers of Black Economic Empowerment. He is the founder and former Chairman and Chief Executive Officer of Real Africa Holdings (Pty) Ltd, a listed company on the Securities Exchange, that unbundled and distributed assets worth 3 billion Rand to shareholders in 2003.

Mr Ncube carved his professional career in the mining industry. He worked for the Anglo-American Corporation for 22 consecutive years and was the first South African black to sit on the Board of Anglo-American Corporation. Mr Ncube has a performance track record as Chairman of successful corporations such as Sun International, Oceana Fishing Group, South African Airways and Atomic Energy Corporation.

Mr Ncube is currently the Chairman of Badimo and Afro Energy.

(ii) **Robert Bulder**

Rob Bulder qualified as a Chartered Accountant in 1987 and has over 30 years of commercial experience.

Mr Bulder has held numerous senior management and executive board positions in the manufacturing, financial services, IT, airline and gas industries, overseeing multi-billion Rand budgets. These positions included that of Group Financial Director of Paragon Business Communications Ltd, a company listed on the Johannesburg Stock Exchange, as well as the position of (acting) Executive Vice-President of South African Airways SOE

and CEO of South African Airways Technical Division (Pty) Ltd, a multi-billion Rand division of SAA Ltd and that of the Vice President of Business Development for SAA Ltd.

Mr Bulder has been the Finance Director of Badimo for more than a decade.

13.2 Directors' Recommendation

The Directors unanimously recommend that Shareholders approve Resolutions 8(a) and (b).

The Chair intends to exercise all available proxies in favour of Resolutions 8(a) and (b).

14 Resolution 9 – Approval of acquisition by the Company of a Relevant Interest in Shares

14.1 Background

Resolution 9 is an ordinary resolution that seeks Shareholder approval for the Company to acquire a Relevant Interest in its own Shares pursuant to item 7, section 611 of the Corporations Act.

As detailed in section 1.5, the Restructure Agreement provides that each of the Vendors, Mr Sierakowski and Mr Michael (together the "**Restricted Parties**") will agree to enter into voluntary escrow agreements ("**Voluntary Escrow Agreements**") in respect of a portion of the Shares which are already held by Messrs Sierakowski and Michael and all of the Shares that will be held by the Vendors immediately following the issues of Shares contemplated by Resolution 7 ("**Voluntary Escrowed Shares**").

Under the Corporations Act, by entering into the Voluntary Escrow Agreements, the Company is deemed to take a 'Relevant Interest' in itself as the Company will acquire a maximum of 47.60% of the Company's total issued capital. As the Voluntary Escrowed Shares represent more than 20% of the Company's issued share capital, in order for the Voluntary Escrow Agreements to become effective and for the voluntary escrow periods of between 12 months and 27 months ("**Escrow Periods**") to commence, the Company must obtain Shareholder approval.

14.2 Material terms of the Voluntary Escrow Agreements

(i) Non-disposal of Voluntary Escrowed Shares

The Voluntary Escrow Agreements provides that the Restricted Parties will not do any of the following during the respective Escrow Periods:

- dispose of, or agree or offer to dispose of, the Voluntary Escrowed Shares;
- create, or agree or offer to create, any security interest in the Voluntary Escrowed Shares; or
- do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of the Voluntary Escrowed Shares.

The Voluntary Escrow Agreements do not affect the Restricted Parties power to:

- exercise, or control the exercise of, a right to vote attached to a Voluntary Escrowed Share;
- receive or entitlement to any dividend, return of capital or other distribution attaching to the Voluntary Escrow Shares; or

- receiving or participating in any right or bonus issue in connection with the Voluntary Escrow Shares.

(ii) **Holding Lock**

The Voluntary Escrowed Shares will be subject to a holding lock which the Company may apply in order to prevent a transfer of the Voluntary Escrowed Shares by:

- giving notice to the Share Registry to apply the holding lock; and
- refusing to register a paper-based transfer document in respect of the Voluntary Escrowed Shares.

(iii) **Exceptions to Escrow Period**

The Voluntary Escrow Shares may be dealt with in the following ways during the Escrow Period:

- in the event that a takeover offer is made under Chapter 6 of the Corporations Act where holders of at least 50% of the bid class securities in the capital of the Company (excluding the Voluntary Escrowed Shares) have accepted the takeover offer, Escrowed Parties may transfer or sell the Voluntary Escrowed Shares; and
- in the event that the Voluntary Escrow Shares are to be disposed of, transferred or cancelled as part of a merger being implemented by scheme of arrangement under Part 5.1 of the Corporations Act.

14.3 Corporation Act prohibition

As discussed in section 11.2, section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if the acquisition would result in that person or someone else's Voting Power increasing from 20% or below to more than 20% or from a starting point that is above 20% and below 90%. The effect of section 608 of the Corporations Act on the Company in entering into the Voluntary Escrow Agreements is that the Company would technically acquire a Relevant Interest in the securities held by the Restricted Parties at the time of their issues, which would result in the Company acquiring a Relevant Interest in voting shares in breach of section 606.

Further, the technical effect of section 608(3) of the Corporation Act is that as the Voting Power of Mr Ncube (and his associates) will be in excess of 20% of the Shares upon Completion of the Proposed Transaction, Mr Ncube (and his associates) will be deemed to also have the Company's Relevant Interest in all of the Voluntary Escrowed Shares for the duration of the Escrow Periods. As a result, Mr Ncube will have a Relevant Interest in up to 47.60% of the Shares (which includes the deemed Relevant Interest as a result of the Voluntary Escrow Agreements).

14.4 Shareholder approval

Resolution 9 seeks Shareholder approval for the purposes of item 7 section 611 of the Corporations Act for the Company to acquire a Relevant Interest in its own Shares as a result of entering into Voluntary Escrow Agreements with the Restricted Parties. As the Voluntary Escrow Agreements will provide the Company with the ability to exercise a degree of control over the disposal of the Shares held by the Restricted Parties, the Company will acquire a Relevant Interest in those Shares, representing up to a maximum of 47.60% of the Company's total issued capital.

The commencement of the operation of the Voluntary Escrow Agreements (the material terms of which are set out below) is conditional on Resolutions 7 being passed at this Meeting. For the avoidance of doubt, if this Resolution 9 is not approved by Shareholders, any voluntary escrow agreement that the Company has entered into will be of no effect.

14.5 ASIC Regulatory Guide 74

The following information is included in accordance with the requirements of Item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 to the extent that it applies pursuant to ASIC Regulatory Guide 6:

(i) **Identity of persons who will hold a Relevant Interest in the securities to be issued**

The Company will have a Relevant Interest in all of the Voluntary Escrowed Shares, representing 47.60% of the total Shares on issue.

(ii) **Impact of issue of the Shares on the Voting Power in the Company's Shares**

At the date of this Notice, the Company does not have a Relevant Interest in any of its Shares.

The maximum extent of the Company's increase in Voting Power in itself is 47.60% of the total Shares on issue.

(iii) **Voting Power the Company would have as a result of the holding lock**

The Company will be deemed to have a Voting Power of 47.60% in the Company, however as described above, the Company will not obtain any power to influence the exercise of any votes attaching to the Voluntary Escrowed Shares. Rather, its Voting Power results from a Relevant Interest arising due to entry into an agreement with the Restricted Parties that restricts the disposal of Voluntary Escrowed Shares.

(iv) **Maximum extent of the increase in the Voting Power of the Company's associates in the Company and Voting power of the Company's associates as a result of the holding lock**

Any Associate of the Company will be deemed to have the same increase in Voting Power as the Company, being 47.60% due to the holding lock.

14.6 Independent Expert's Report

The Independent Expert's Report assesses whether the transactions contemplated by Resolution 6 and Resolution 9 are fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed acquisition under the Restructure Agreement. This assessment is designed to assist Shareholders in reaching their voting decision.

BDO Corporate Finance (WA) Pty Ltd has prepared the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in the Proposed Transaction is, on balance, **not fair but reasonable** to the non-associated Shareholders of the Company. It is recommended that all Shareholders read the Independent Expert's Report in full which is enclosed as Schedule 3 of this Notice.

14.7 Directors' Recommendation

Each Director recommends that Shareholders approve Resolution 9.

The Chair intends to exercise all available proxies in favour of Resolution 9.

15 Resolution 10 – Approval of the issue of Performance Options to Nick De Blocq

15.1 Background

Resolution 10 is an ordinary resolution that seeks Shareholder approval under Listing Rule 7.1 for the issue of up to 2,000,000 Performance Options to Nick De Blocq.

15.2 Listing Rule 7.1

Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the company's ordinary securities then on issue (in the case of Listing Rule 7.1) and 10% of the company's ordinary securities then on issue (in the case of Listing Rule 7.1A).

The proposed issue of the Performance Options does not fall within any of the exceptions to Listing Rule 7.1 and the Company does not have sufficient placement capacity remaining under Listing Rule 7.1 or 7.1A to accommodate the issue. The Company therefore requires the approval of Shareholders under Listing Rule 7.1 for the issue of the Shares.

15.3 Listing Rule 14.1A

If Resolution 10 is passed, the issue of 2,000,000 Performance Options will be excluded in calculating the Company's 15% limit for the purposes of Listing Rule 7.1, effectively increasing the number of Equity Securities it can issue without shareholder approval over the 12-month period following the date of issue of the Shares.

If Resolution 10 is not passed, the issue of 2,000,000 Performance Options will be included in calculating the Company's 15% limit for the purposes of Listing Rule 7.1, effectively decreasing the number of Equity Securities it can issue without shareholder approval over the 12-month period following the date of issue of the Shares.

15.4 Information Required by Listing Rule 7.3

(i) **Names of the persons to whom the entity will issue the securities (if known) or basis upon which those persons will be identified or selected**

The Performance Options will be issued to Nick De Blocq, who is not a Director of the Company but the Chief Executive Officer.

In accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that:

- Mr De Blocq is considered a member of key management personnel, by virtue of his role as the Chief Executive Officer of the Company; and
- is not being issued more than 1% of the issued capital of the Company.

(ii) **Maximum number of securities the entity is to issue**

2,000,000 Performance Options.

(iii) **Date by which the entity will issue the securities**

The Performance Options will be issued shortly after the Meeting, and in any event, within 3 months of the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(iv) **Issue price of the securities**

The Performance Options will be issued at a nil issue price, in consideration for the services Mr De Blocq has provided to the Company as the Chief Executive Officer pursuant to the Executive Services Agreement.

The Company has not and will not receive any other consideration for the issue of the Performance Option, other than in respect of funds received upon exercise of the Performance Options. Each Performance Option is exercisable at \$0.10 each on or before 31 July 2024.

(v) **Terms of the securities**

Each Performance Option will vest and become exercisable when Mr De Blocq has completed 12 months of service under the Executive Services Agreement (“**Vesting Condition**”). As at the date of this Notice, the Vesting Condition has been satisfied.

Each Performance Option is exercisable at \$0.10 each on or before 31 July 2024.

Refer to Schedule 4 of this Notice for a detailed summary of the material terms and conditions of the Performance Options.

(vi) **Purpose and intended use of the funds raised**

The purpose of the issue was in satisfaction of the Company’s obligations under the Executive Services Agreement.

Upon exercise of the Performance Options a total of \$200,000 will be received by the Company and the Company intends to use those funds for general working capital purposes.

(vii) **If the securities will be issued under an agreement, a summary of the material terms of the agreement**

The Performance Options to be issued to Mr De Blocq are proposed to be issued pursuant to an Executive Services Agreement. The material terms of the Executive Services Agreement are summarised as follows (material terms of which were also announced to the ASX on 10 August 2021):

- Mr De Blocq’s is to receive \$240,000 per annum (excl. superannuation) and the issue of 2,000,000 Performance Options (the subject of this Resolution);
- the term of employment commenced on 9 August 2021 until termination by Mr De Blocq or the Company by providing not less than 3 months’ written notice; and
- the Executive Service Agreement is otherwise on terms and conditions considered standard for agreements of this nature.

15.5 Directors' recommendations

The Directors unanimously recommend that Shareholders vote in favour of Resolution 10.

The Chair intends to exercise all available proxies in favour of Resolution 10.

16 Resolution 11 - Approval of 10% Placement Facility

Resolution 11 is a special resolution which seeks Shareholder approval for the issue of Equity Securities totaling up to 10% of the issued capital of the Company under and in accordance with Listing Rule 7.1A ("**10% Placement Facility**").

16.1 Listing Rule 7.1A

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and which has a market capitalisation of \$300,000,000 or less. The Company is an eligible entity for these purposes.

Resolution 11 seeks shareholder approval by way of special resolution for the Company to have the additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities without shareholder approval.

If Resolution 11 is passed, the Company will be able to issue equity securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further shareholder approval.

If Resolution 11 is not passed, the Company will not be able to access the additional 10% capacity to issue equity securities to issue equity securities without shareholder provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without shareholder approval set out in Listing Rule 7.1.

Approval of the 10% Placement Facility is valid from the date of the Annual General Meeting until the earlier of:

- 12 months after the Annual General Meeting;
- the time and date of the Company's next annual general meeting; and
- the date shareholders approve a transaction under Listing Rule 11.1.2 (significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

("10% Placement Period").

The number of Equity Securities that the Company will have the capacity to issue under the 10% Placement Facility will be calculated in accordance with the following formula:

(A x D) – E

- A** has the same meaning as in Listing Rule 7.1 when calculating an entity's 15% placement capacity – i.e. the number of shares on issue 12 months before the date of issue or agreement:
- plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2 other than exceptions 9, 16 or 17;
 - plus the number of fully paid Equity Securities issued in the relevant period on the conversion of convertible securities within Listing Rule 7.2 exception 9 where:
 - the +convertible securities were issued or agreed to be issued before the commencement of the relevant period; or
 - the issue of, or agreement to issue, the convertible securities was approved, or taken under the Listing Rules to have been approved, under rule 7.1 or rule 7.4,
 - plus the number of fully paid Equity Securities issued in the relevant period under an agreement to issue securities within Listing Rule 7.2 exception 16 where:
 - the agreement was entered into before the commencement of the relevant period; or
 - the agreement or issue was approved, or taken under these rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4,
 - plus the number of any other Equity Securities issued in the relevant period with approval under Listing Rule 7.1 or Listing Rule 7.4;
 - plus the number of partly paid Equity Securities that became fully paid in the relevant period;
 - less the number of fully paid Equity Securities cancelled in the relevant period;
- D** is 10%; and
- E** is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue where the issue or agreement has not been subsequently approved by the holders of its ordinary securities under Listing Rule 7.4.

16.2 Listing Rule 7.3A

For the purposes of Listing Rule 7.3A, the following information is provided to Shareholders in relation to Resolution 11:

(i) Minimum price at which the securities may be issued

In accordance with Listing Rule 7.1A.3, any Equity Securities issued under the 10% Placement Facility will be issued for at least 75% of the VWAP of Equity Securities in the

same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- the date on which the price of the Equity Securities is agreed; or
- if the Equity Securities are not issued within 10 Trading Days of the above date, the date on which the Equity Securities are issued.

Equity Securities issued under Listing Rule 7.1A.2 must be in an existing quoted class and issued for cash consideration.

(ii) **Risk of economic and voting dilution**

Any issue of Equity Securities under the 10% Placement Facility will dilute Shareholders who do not participate in the issue. The table below shows the potential economic and voting dilution of existing Shareholders as a result of the Company issuing Shares under the 10% Placement Facility, based on different issue prices and values for variable 'A' in the formula above.

Variable 'A' (Shares on issue)		Issue price		
		\$0.05 (50% decrease)	\$0.10 (Current) ²	\$0.15 (50% increase)
686,073,969 (Current) ¹	Shares issued	68,607,397	68,607,397	68,607,397
	Funds raised	\$3,430,370	\$6,860,740	\$10,291,110
1,029,110,954 (50% increase)	Shares issued	102,911,095	102,911,095	102,911,095
	Funds raised	\$5,145,555	\$10,291,110	\$15,436,664
1,372,147,938 (100% increase)	Shares issued	137,214,794	137,214,794	137,214,794
	Funds raised	\$6,860,740	\$13,721,479	\$20,582,219

Notes:

1. The current variable 'A' is assumed to be the number of Shares on issue as at the date of this Notice. The number of Shares on issue could increase as a result of, for example, an issue that does not require Shareholder approval (e.g. a pro rata offer to Shareholders) or an issue with Shareholder approval under Listing Rule 7.1.
2. The current price of Shares is the closing price on the ASX on 25/10/2022.
3. The table assumes that no Options or other convertible securities are exercised or converted into Shares prior to an issue under the 10% Placement Facility.
4. The table assumes that the Company issues the maximum number of Shares available under the 10% Placement Facility.
5. The table assumes that issues of Equity Securities under the 10% Placement Facility consist only of Shares.
6. The table does not show examples of dilution that may be caused to a particular Shareholder by reason of issues under the 10% Placement Facility. Shareholders should consider the potential dilution caused in the context of their own circumstances.
7. The table only shows the effect of issues under Listing Rule 7.1A, and not issues under the 15% placement capacity under Listing Rule 7.1.

Shareholders should further note that:

- the market price for the Equity Securities may be significantly lower on the date of issue than on the date of the Annual General Meeting; and
- the Equity Securities may be issued at a price that is at a discount to the market price for the Equity Securities on the date of issue.

(iii) **Date by which the securities may be issued**

In accordance with Listing Rule 7.1A.1, any Equity Securities issued under the 10% Placement Facility will be issued during the 10% Placement Period. The 10% Placement Facility will cease to be valid in the event that shareholders approve a transaction under Listing Rule 11.1.2 (significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

(iv) **Purposes for which the securities may be issued**

Any Equity Securities issued under the 10% Placement Facility may only be issued for the following purposes (without limitation) for cash consideration to raise funds. In such circumstances, the Company may apply the funds raised towards the exploration activities at its existing projects and/or for acquisition of new assets or investments (including expenses associated with such acquisition) and general working capital.

(v) **Allocation policy for issues of securities**

The Company's allocation policy for any Equity Securities issued under the 10% Placement Facility will depend on the prevailing market conditions at the relevant time, however, recipients will not be related parties of the Company. The identity of recipients of Equity Securities will otherwise be determined on a case by case basis having regard to the following factors (without limitation):

- the purpose of the issue;
- alternative methods for raising funds that are available to the Company including rights issues or other issues in which existing Shareholders can participate;
- the effect of the issue on the control of the Company;
- the financial situation and solvency of the Company;
- prevailing market conditions; and
- advice from corporate, financial and broking advisers.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 upon issuing any Equity Securities.

(vi) **Previous issues of securities**

The Company has previously obtained Shareholder approval under Listing Rule 7.1A at its annual general meeting held on 8 December 2021.

In the 12 months preceding the date of the Meeting and as at the date of this Notice, the Company has not issued any Equity Securities using capacity under Listing Rule 7.1A.2.

16.3 Additional information

Resolution 11 is a special resolution. The Board unanimously recommends that Shareholders vote in favour of Resolution 11.

The Chair intends to exercise all available proxies in favour of Resolution 11.

DEFINITIONS

In this Notice of Meeting and Explanatory Statement:

“**Annual Report**” means the annual report of the Company for the financial year ended 30 June 2022.

“**Afro Energy**” means Afro Energy (Pty) Ltd (Registration Number 2012/080223/07) of 7 Venus Street, Melrose, Johannesburg;

“**Afro Energy Shares**” means 51 fully ordinary shares in Afro Energy, representing 51% of the issued share capital of Afro Energy held by Badimo to be transferred to the Company in accordance with the Restructure Agreement;

“**Afro Energy Tenements**” means the explorations rights and applications in South Africa held by Afro Energy, namely ER 56, ER 38, ER 270, ER 271, ER 272 and application pending ER 320;

“**Agreements**” means the JV Agreement, the Terms Sheet and the Restructure Agreement;

“**Annual General Meeting**” or “**Meeting**” means the annual general meeting of Shareholders convened in accordance with this Notice of Meeting;

“**ASIC**” means the Australian Securities and Investments Commission;

“**ASX**” means ASX Limited (ACN 008 624 691);

“**Auditor’s Report**” means the auditor’s report contained in the Annual Report.

“**Badimo**” means Badimo Gas (Pty) Ltd (Registration Number 1999/025070/07);

“**Badimo Shareholders**” means the shareholders of Badimo, as set out in Item 1 of Schedule 1;

“**Board**” means the board of Directors;

“**Business Day**” has the meaning given to it in the Listing Rules;

“**Chair**” means the chairperson of the Meeting.

“**Company**” means Kinetiko Energy Ltd (ACN 141 647 529);

“**Completion**” means completion of the sale and purchase of the Afro Energy Shares in accordance with the Restructure Agreement;

“**Consideration Shares**” means 597,704,812 fully ordinary Shares in the issued capital of the Company;

“**Constitution**” means the constitution of the Company;

“**Corporations Act**” means the *Corporations Act 2001 (Cth)*;

“**Director**” means a director of the Company;

“**Directors’ Report**” means the directors’ report contained in the Annual Report.

“**Equity Securities**” has the meaning given in the Listing Rules.

“Escrow Periods” means the respective voluntary escrow periods of between 12 months and 27 months pursuant to the Voluntary Escrow Agreements;

“Explanatory Statement” means this Explanatory Statement;

“Financial Report” means the financial report contained in the Annual Report.

“Government Agency” means any government or any governmental, semi-governmental, supranational, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world;

“Independent Expert Report” means the independent expert’s report prepared by BDO Corporate Finance (WA) Pty Ltd which is attached as Schedule 3;

“JV Agreement” means the dispute Resolution and unincorporated joint venture agreement between the Company and Badimo dated 17 April 2015;

“KMP” means key management personnel as defined in the Remuneration Report.

“Letter Agreement” means the letter agreement dated 21 September 2022, varying the terms of the Restructure Agreement;

“Listing Rules” means the official Listing Rules of the ASX;

“Meeting” means the Annual General Meeting convened in accordance with this Notice;

“Notice” and **“Notice of Meeting”** means the notice of meeting to which this Explanatory Memorandum is attached;

“Official List” means the official list of ASX;

“Placement” has the meaning given to it in section 9.1 of this Notice;

“Placement Recipients” means Phefo Power (Pty) Limited, Brendan Gore and Bongani Raziya;

“Placement Shares” has the meaning given to it in section 9.1 of this Notice;

“Proposed Directors” means Donald Ncube and Robert Bulder;

“Proposed Transaction” means the transaction summarised in Section 1.1;

“Proxy Form” means the proxy form attached to this Notice;

“Regulatory Authority” means any of the following:

- ASX, ASIC and the Foreign Investment Review Board;
- a Government Agency;
- a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- any regulatory organisation established under statute;

“Relevant Interest” has the meaning given in the Corporations Act;

“Remuneration Report” means the remuneration report contained in the Annual Report.

“Restructure Agreement” means the Restructure Agreement dated 23 December 2021 between the Badimo Shareholders, Badimo and the Company;

“Resolution” means a Resolution set out in this Notice;

“Restricted Parties” means the Vendors, Mr Adam Sierakowski and Mr Agapitos Marcus Geoffrey Michael ;

“Schedule” means a schedule to this Notice;

“Section” means a section of this Explanatory Statement;

“Share” means an ordinary fully paid ordinary share in the capital of the Company and **“Shareholder”** has a corresponding meaning;

“Terms Sheet” means the binding terms sheet dated 4 May 2021 between Badimo, the Badimo Shareholders and the Company;

“Transaction Capital Raising” means the placement to be undertaken by the Company of Shares to Exempt Investors to raise approximately \$6,500,000 at an issue price per Share of not more than \$0.15 per Share and not less than \$0.075 per Share;

“Transaction Capital Raising Shares” means the number of Shares issued by the Company pursuant to the Transaction Capital Raising;

“Transaction Resolutions” means Resolutions 5 to 9 (inclusive);

“Transaction Shares” means the Consideration Shares less the Placement Shares to be issued pro-rata to the Badimo Shareholders at Completion pursuant to the Restructure Agreement;

“Voluntary Escrow Agreements” means the voluntary escrow agreements entered into between the Restricted Parties and the Company pursuant to the Restructure Agreement;

“Voluntary Escrow Shares” means those Shares held by the Restricted Parties that are subject to the Voluntary Escrow Agreements;

“VWAP” means the volume weighted average price of the Shares over the previous 14 days;

“Voting Power” has the meaning given to it in the Corporations Act; and

“WST” means Western Standard Time.

SCHEDULE 1

ITEM 1 – BADIMO SHAREHOLDERS AND VOLUNTARY ESCROW ARRANGEMENTS

Badimo Shareholder	Maximum total Transaction Shares to be issued to Badimo Shareholders	Number of Transaction Shares subject to Voluntary Escrow for 12 months	Number of Transaction Shares subject to Voluntary Escrow for 24 months	Number of Transaction Shares subject to Voluntary Escrow for 27 months
Don And Jennifer Holdings (Pty) Ltd	230,625,011	23,062,501	207,562,510	-
Donald Mzolisa Jones Ncube	31,882,751	-	-	31,882,751
Robert James Macmillan	95,363,517	9,536,352	66,002,232	19,824,933
Paul Lewis Tromp	74,302,577	7,430,258	36,769,853	30,102,467
Oliver Bernard Barker	5,115,355	511,535	4,603,819	-
Agathodoros Christodoulou	6,061,696	606,170	5,455,526	-
Svenn Louw Bulder	37,316,770	3,731,677	33,585,093	
Dirk Robert Bulder	37,630,341	3,763,034	-	32,915,591
Paul Davis	2,024,402	202,440	1,821,962	
Mpumelelo Xaba	4,049,059	404,906	3,644,153	-
Total	524,371,478	49,248,873	360,396,864	114,725,742

ITEM 2 – KKO DIRECTORS AND VOLUNTARY ESCROW ARRANGEMENTS

KKO Director (in their personal capacity and / or associated entities)	Number of Shares subject to Voluntary Escrow for 24 months from the date that the Transaction Shares are issued	Number of Shares subject to Voluntary Escrow for 12 months from the date that the Transaction Shares are issued
Adam Sierakowski	54,102,426	5,830,005
Geoffrey Michael	35,457,081	3,941,676
Total	89,559,507	9,771,681

SCHEDULE 2 – PRO-FORMA STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	Kinetiko Energy Ltd	Afro Energy Limited	Afro Energy Limited	Consolidated	Adjustment 1 - Capital Raise	Adjustment 2 -Repayment of loan	Adjustment 3 - Acquisition of 51% of Afro Energy Limited post loan repayment	Adjustment 4 - Eliminate Investment in Associates	Adjustment 5 - Eliminate Inter-Company Loan	Proforma Consol
	30-Jun-22	30-Jun-22	30-Jun-22	30-Jun-22						30-Jun-22
	\$	ZAR	\$	\$	\$	\$	\$	\$	\$	\$
CURRENT ASSETS										
Cash and cash equivalents	1,347,785	10,892	971	1,348,756	4,786,480	(1,382,049)	(5,117,951)	-	-	(364,764)
Receivables - CA	117,522	808,677	72,065	189,587	-	-	-	-	-	189,587
Other - CA	15,458	-	-	15,458	-	-	-	-	-	15,458
TOTAL CURRENT ASSETS	1,480,765	819,569	73,036	1,553,801	4,786,480	(1,382,049)	(5,117,951)	-	-	(159,719)
NON-CURRENT ASSETS										
Receivables - NCA	1,560,739	-	-	1,560,739	-	-	(900,001)	-	(660,738)	-
Other - NCA	-	-	-	-	-	-	-	-	-	-
Property, plant & equipment	170,095	-	-	170,095	-	-	-	-	-	170,094
Intangible Assets	-	62,753,729	5,592,308	5,592,308	-	-	-	57,249,803	-	62,842,109
Investment in associate	6,648,687	-	-	6,648,687	-	-	56,211,385	(56,236,676)	(6,623,395)	-
TOTAL NON-CURRENT ASSETS	8,379,521	62,753,729	5,592,308	13,971,828	-	-	55,311,384	1,013,126	(7,284,133)	63,012,203
TOTAL ASSETS	9,860,286	63,573,298	5,665,344	15,525,629	4,786,480	(1,382,049)	50,193,432	1,013,126	(7,284,133)	62,852,484
CURRENT LIABILITIES										
Trade and other payables	470,620	1,130,309	100,728	571,347	-	-	-	-	-	571,347

Borrowings	250,000	88,199,782	7,859,937	8,109,937	-	(1,382,049)	-	-	(6,435,016)	292,872
TOTAL CURRENT LIABILITIES	720,620	89,330,091	7,960,664	8,681,284	-	(1,382,049)	-	-	(6,435,016)	864,219
TOTAL LIABILITIES	720,620	89,330,091	7,960,664	8,681,284	-	(1,382,049)	-	-	(6,435,016)	864,219
NET ASSETS	9,139,666	(25,756,793)	(2,295,320)	6,844,345	4,786,480	-	50,193,432	1,013,126	(849,117)	61,988,265
EQUITY										
Contributed equity	31,743,101	100	9	31,743,110	4,786,480	-	51,093,433	(9)	-	87,623,014
Reserves	633,230	-	-	633,230	-	-	-	-	-	633,228
Accumulated losses	(23,236,666)	(25,756,893)	(2,295,329)	(25,531,995)	-	0	(900,001)	1,013,135	(849,117)	(26,267,977)
TOTAL EQUITY	9,139,666	(25,756,793)	(2,295,320)	6,844,345	4,786,480	0	50,193,432	1,013,126	(849,117)	61,988,265

SCHEDULE 3 – INDEPENDENT EXPERTS REPORT



KINETIKO ENERGY LIMITED
Independent Expert's Report

10 October 2022



Financial Services Guide

10 October 2022

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Kinetiko Energy Limited ('Kinetiko') to provide an independent expert's report on the proposal to acquire the remaining 51% interest in Afro Energy (Pty) Ltd ('Afro Energy') it does not already hold from Badimo Gas (Pty) Ltd ('Badimo') for shares in Kinetiko, which will result in Badimo's largest shareholder, Mr Donald Ncube, increasing his interest in Kinetiko above 20%. Our report also provides an opinion on the fairness and reasonableness of certain voluntary escrow arrangements arising from the Proposed Transaction, which result in Kinetiko increasing its interest in itself to above 20%. You are being provided with a copy of our report because you are a shareholder of Kinetiko and this Financial Services Guide ('FSG') is included in the event you are also classified under the Corporations Act 2001 ('the Act') as a retail client.

Our report and this FSG accompanies the Notice of Meeting required to be provided to you by Kinetiko to assist you in deciding on whether or not to approve the proposal.

Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$38,000 (excluding GST and out-of-pocket expenses).

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in Kinetiko.

Other Assignments

BDO Audit (WA) Pty Ltd is the appointed auditor of Kinetiko. BDO South Africa Incorporated is also the appointed auditor of Afro Energy from its financial year ended 28 February 2019 and beyond. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Kinetiko for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700, West Perth WA 6872 or, by telephone or email using the contact details within the following report.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint in writing within 1 business day or, if the timeline cannot be met, then as soon as practicable and investigate the issues raised. As soon as practical, and not more than 30 days after receiving the complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

If a complaint is made and the complainant is dissatisfied with the outcome of the above process, or our determination, the complainant has the right to refer the matter to the Australian Financial Complaints Authority Limited ('AFCA').

AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below.

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne VIC 3001
AFCA Free call: 1800 931 678
Website: www.afca.org.au
Email: info@afca.org.au

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by RISC Advisory Pty Ltd

10 October 2022

The Directors
Kinetiko Energy Limited
283 Rokeby Road
Subiaco WA 6008

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 24 December 2021, Kinetiko Energy Limited ('Kinetiko' or 'the Company') announced it had executed binding legal agreements to acquire the remaining 51% of Afro Energy (Pty) Ltd ('Afro Energy') it did not already own from Badimo Gas (Pty) Ltd ('Badimo'), with consideration for the acquisition being up to 597,704,812 shares ('Consideration Shares') in Kinetiko ('the Proposed Transaction'). Afro Energy is the incorporated joint venture ('JV') company between Kinetiko and Badimo which holds a 100% interest in the Mpumalanga Gas Project in South Africa ('Mpumalanga Project' or 'the Project').

Afro Energy has outstanding joint venture partner loans due to both Badimo and Kinetiko through various JV partner loans. As part of the Proposed Transaction, the debt owed by Afro Energy to Badimo will be settled. An initial deed governing this restructure of Afro Energy ('Restructure Deed') was subsequently varied on 21 September 2022 to, among other things, extend the respective dates under the Restructure Deed and include that a placement of Kinetiko's shares will be conducted at an issue price of no greater than \$0.150 and no less than \$0.075, as detailed below. The mechanism of the Proposed Transaction under this varied Restructure Deed comprises the following steps:

1. Kinetiko will conduct a \$6,500,000 placement of new Kinetiko shares to professional and sophisticated investors at a price of no greater than \$0.150 and no less than \$0.075 per Kinetiko share ('Transaction Capital Raising'). This corresponds to a minimum of 43,333,334 Kinetiko shares (at a \$0.150 issue price) and a maximum of 86,666,667 Kinetiko shares (at a \$0.075 issue price). The Transaction Capital Raising can occur within four months once all conditions are satisfied (or waived) under the Restructure Deed and Badimo's shareholders ('the Badimo Shareholders') will not be allowed to participate in the Transaction Capital Raising. All the funds raised will then be used to subscribe for 922 new Afro Energy shares ('the Afro Energy Subscription'), which would result in Kinetiko increasing its interest in Afro Energy from 49% currently to 95.01% immediately thereafter. Badimo's interest would be diluted to 4.99% and Afro Energy will have an additional \$6.50 million in cash as a result. The number of new shares issued by Kinetiko as part of the Transaction Capital Raising will ultimately be deducted from the number of Consideration Shares that will be issued to the Badimo Shareholders.
2. The \$6.50 million from the Afro Energy Subscription will be used by Afro Energy to settle Badimo's loan claims against Afro Energy totalling R15,958,653 at 31 December 2021 (approximately \$1.4

million) and complete a buy-back and cancellation of Badimo's remaining 51 shares in Afro Energy ('Share Buy-Back').

3. Following completion of the Share Buy-Back, Kinetiko will issue to the Badimo Shareholders (pro-rata to their respective shareholding) the 597,704,812 Consideration Shares, reduced by the number of new shares issued under the Transaction Capital Raising in step 1 above.
4. Badimo's largest shareholder and current Afro Energy Director, Mr Donald Ncube, and another Badimo shareholder, Mr Robert Bulder, will be appointed to the board of the Company as Non-Executive Directors. Badimo will then be liquidated and the Consideration Shares it received will be distributed pro-rata to the Badimo Shareholders.

Kinetiko has also previously assumed \$900,001 of debt owed by Mr Ncube to the Industrial Development Corporation of South Africa ('IDC') in order to facilitate a joint development agreement ('JDA') between the IDC and Afro Energy to co-develop a gas production field within the Project. As part of the Proposed Transaction, Kinetiko will claw-back from Mr Ncube 30 million of his Consideration Shares to settle this \$900,001 debt ('Ncube Settlement') which is currently recorded as an asset on the Company's balance sheet.

The issue of the Consideration Shares will result in Badimo's largest shareholder (with an interest in 52.76% of Badimo) and current Afro Energy Director, Mr Donald Ncube, receiving up to 262,507,762 shares in Kinetiko (after accounting for his pro-rata reduction in the Consideration Shares from the Transaction Capital Raising and the impact of the Ncube Settlement) which will increase his interest in Kinetiko from nil to up to 20.03%. Individually, the interest of the other Badimo Shareholders in Kinetiko will remain below 20% following the Proposed Transaction.

A further component of the Proposed Transaction is that the Badimo Shareholders have voluntarily agreed to place the Consideration Shares they receive in escrow ('Voluntary Escrow'), which restricts the disposal of their holdings in the Company. A portion of the Consideration Shares will be escrowed for between 12 and 27 months from issue. Two of the Company's directors have also agreed to escrow a portion of their shares on the same terms pursuant to the Proposed Transaction. As a result of the Voluntary Escrow, the Company will be deemed to have a relevant interest in the shares held by the parties to which the Voluntary Escrow applies. As a result of the Proposed Transaction (including the Voluntary Escrow), the Company will increase its interest in itself from nil to up to 47.60%. Furthermore, because of the Voluntary Escrow and certain technical provisions of the Corporations Act 2001 Cth, following the Proposed Transaction, Mr Ncube would be deemed to have a relevant interest in the Company thereby increasing his relevant interest to that of the Company's (i.e. up to 47.60%). Accordingly, approval from the Kinetiko shareholders not associated with the Badimo Shareholders ('Shareholders') is required in order for the Company to enter into the Proposed Transaction (including the Voluntary Escrow). Further details are provided in the explanatory notes of the Notice of Meeting issued by the Company.

A binding term sheet for the Proposed Transaction was entered into and announced to the Australian Securities Exchange ('ASX') on 7 May 2021. Kinetiko then announced on 24 December 2021 that it had executed binding formal legal agreements. However the satisfaction of certain conditions precedent, including South African Ministerial consent (which was subsequently obtained in March 2022), and discussions with the Badimo Shareholders had been ongoing, including in relation to the letter of variation to the Restructure Deed, delaying the Shareholders' vote on the Proposed Transaction until recently.

Further details of the Proposed Transaction are outlined in Section 4 of our Report.

All currencies are expressed in Australian Dollars ('\$' or 'AUD') or South African Rand ('R' or 'ZAR') unless otherwise indicated.

2. Summary and Opinion

2.1 Requirement for the report

The directors of Kinetiko have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Proposed Transaction (including the Voluntary Escrow) is fair and reasonable to Shareholders.

Our Report is prepared pursuant to item 7 section 611 ('item 7 s611') of the Corporations Act 2001 Cth ('Corporations Act' or 'the Act') and is to be included in the Notice of Meeting for Kinetiko in order to assist Shareholders in their decision whether to approve the Proposed Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this report. We have considered:

- How the value of a Kinetiko share prior to the Proposed Transaction on a controlling interest basis compares to the value of a Kinetiko share following the Proposed Transaction on a minority interest basis;
- The likelihood of an alternative offer being made to Kinetiko;
- Whether a premium for control is being offered in relation to the issue of Kinetiko shares and whether this is appropriate;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction (including the impact of the Voluntary Escrow); and
- The position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is not fair because although there is significant overlap between the two valuation ranges, the low, preferred and high points of the value of a Kinetiko share following the Proposed Transaction (minority basis) are lower than their equivalents for Kinetiko's value per share range prior to the Proposed Transaction (control basis), while the value of the Project does not change as a consequence of approving the transaction.

However, we consider the Proposed Transaction to be reasonable because the advantages of the Proposed Transaction to Shareholders are greater than the disadvantages. In particular, the Proposed Transaction would unify and simplify the structure and management of the Project, which in turn may assist with its development into commercialisation, thereby allowing Shareholders to better realise the value of the Project.

We have also considered the terms of the Voluntary Escrow as outlined in the body of this report and consider it to be fair as the restrictions on transferability only apply to the Consideration Shares and not to the Kinetiko shares held by Shareholders, and therefore it has no impact to the value of their shares. Further, the Voluntary Escrow is considered reasonable as it has been assessed as fair and a benefit to Shareholders as it mitigates the risk of large shareholders selling shares (for the duration of the escrow), which may have a negative impact on the share price of Kinetiko following the Proposed Transaction.

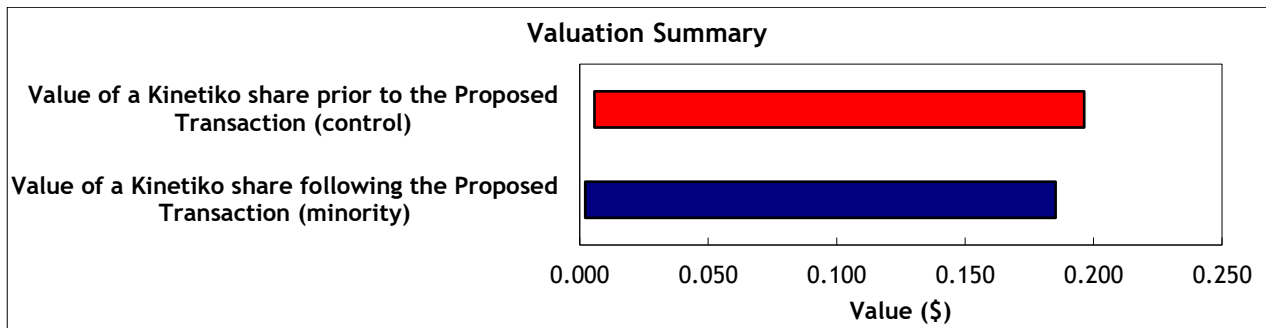
2.4 Fairness

In Section 12 we compared the value of a Kinetiko share prior to the Proposed Transaction on a controlling interest basis to the value of a Kinetiko share following the Proposed Transaction on a minority interest basis as detailed below.

	Ref	Low \$	Preferred \$	High \$
Value of a Kinetiko share prior to the Proposed Transaction (control basis)	10.3	0.006	0.028	0.196
Value of a Kinetiko share following the Proposed Transaction (minority basis)	11.4	0.002	0.023	0.185

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and an alternative offer, the Proposed Transaction is not fair for Shareholders.

We have also considered the terms of the Voluntary Escrow as outlined in the body of this report and consider it to be fair as the restrictions on transferability only apply to the Consideration Shares and not to the Kinetiko shares held by Shareholders, and therefore it has no impact to the value of their shares.

2.5 Reasonableness

We have considered the analysis in Section 13 of this report, in terms of both

- advantages and disadvantages of the Proposed Transaction; and
- other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Proposed Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternative proposal we believe that the Proposed Transaction is reasonable for Shareholders.

The Voluntary Escrow is also considered reasonable as it has been assessed as fair and a benefit to Shareholders as it mitigates the risk of large shareholders selling shares (for the duration of the escrow), which may have a negative impact on the share price of Kinetiko following the Proposed Transaction.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.5	The Proposed Transaction increases Kinetiko's exposure to the Project	13.6	Dilution of Shareholders' interests
13.5	Alignment of interest via single board and management team to reduce inefficiencies and streamline development of the Project	13.6	Kinetiko will have to bear the full costs to develop the Project
13.5	Enlarged entity with simplified structure may improve access to capital for development of the Project		
13.5	Consideration under the Proposed Transaction is in the form of shares as opposed to cash		

Other key matters we have considered include:

Section	Description
13.1	Alternative Proposal
13.2	Practical Level of Control
13.3	Consequences of not approving the Proposed Transaction
13.4	Other considerations

3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Corporations Act ('Section 606') expressly prohibits the acquisition of further shares by a party if the party acquiring the interest does so through a transaction and because of the transaction,

that party (or someone else's voting power in the company) increases from 20% or below to more than 20%.

Similarly, as a result of the Voluntary Escrow, the Company is deemed to take a relevant interest in itself above the 20% threshold as detailed in the Notice of Meeting. Accordingly, the directors of Kinetiko have requested that BDO express an opinion as to whether or not the Voluntary Escrow is fair and reasonable to Shareholders.

Item 7 s611 of the Corporations Act provides exceptions to the Section 606 prohibition and permits such an acquisition if the shareholders of Kinetiko have agreed to the acquisition. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by the party to the acquisition or any party associated with the acquiring party.

Item 7 s611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that to satisfy the obligation to provide all material information on how to vote on the item 7 resolution, Kinetiko can commission an Independent Expert's Report.

The directors of Kinetiko have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. RG 111 provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

RG 111 suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities which are the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities which are the subject of the offer in a control transaction it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest and so the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between value of a Kinetiko share prior to the Proposed Transaction on a controlling interest basis and the value of a Kinetiko share following the Proposed Transaction on a minority interest basis (fairness - see Section 12 'Is the Proposed Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 13 'Is the Proposed Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Proposed Transaction

On 23 December 2021, Kinetiko, Badimo and the Badimo Shareholders entered into the Restructure Deed whereby Badimo agreed to transfer 51 shares in Afro Energy to the Company in consideration for the Company issuing 597,704,812 Consideration Shares to the Badimo Shareholders (prior to any pro-rata reduction from the Transaction Capital Raising and the Ncube Settlement). The Restructure Deed was subsequently varied by a letter of variation as discussed in Section 1. The Consideration Shares will be issued to the Badimo Shareholders pro-rata to their respective shareholding in Badimo as set out in the table below.

Badimo Shareholders	Number of Badimo shares held	% Badimo shareholding	Relevant interest in Kinetiko	Number of Consideration Shares to be issued*
Don and Jennifer Holdings (Pty) Ltd**	901,697	41.60%	-	248,652,184
Robert James Macmillan	357,264	16.48%	-	98,519,208
Paul Lewis Tromp	290,508	13.40%	-	80,110,557
Donald Mzolisa Jones Ncube**	241,949	11.16%	-	66,719,915
Dirk Robert Bulder	147,127	6.79%	-	40,571,777
Svenn Louw Bulder	145,901	6.73%	-	40,233,695
Agathodoros Christodoulou	23,700	1.09%	-	6,535,518
Oliver Bernard Barker	20,000	0.92%	-	5,515,205
Mpumelelo Xaba	15,831	0.73%	-	4,365,560
Robert James Macmillan	15,588	0.72%	-	4,298,551
Paul Davis	7,915	0.37%	-	2,182,642
Total	2,167,480	100.00%	-	597,704,812

*Above calculations do not account for the reduction in Consideration Shares as a result of the Transaction Capital Raising and the Ncube Settlement

**Represents Mr Ncube's interest in Badimo which totals 1,143,646 shares equivalent to a 52.76% interest

Source: Kinetiko management

Once the Proposed Transaction completes pursuant to the Restructure Deed, Kinetiko will own 100% of the issued share capital of Afro Energy.

The Proposed Transaction is subject to the satisfaction of, or waiver of, the following conditions precedent:

- Each party having obtained all authorisations of any regulatory authority or its shareholders which are necessary to implement the transactions contemplated by the Restructure Deed;
- South African Regulatory Authority approval including, South African Reserve Bank approvals where applicable;
- No material default or breach of the Restructure Deed by Badimo or Afro Energy prior to completion; and
- Kinetiko Shareholder approvals pursuant to ASX Listing Rule 11.1.2 and item 7, section 611 of the Corporations Act.

With the exception of the last condition precedent above, the other conditions have either been satisfied or waived.

As part of the Proposed Transaction, and in order to settle certain debt owed by Afro Energy to Badimo, the Company will undertake the Transaction Capital Raising to professional and sophisticated investors not associated with the Badimo Shareholders. Within 20 business days of completion of the Transaction Capital Raising, the funds raised would be used for the Afro Energy Subscription, which, after completion of the Share Buy-Back, would result in Kinetiko owning 100% of Afro Energy. Kinetiko will then issue the Badimo Shareholders the Consideration Shares (pro-rata to their respective shareholding), less the number of Transaction Capital Raising shares issued.

The Badimo Shareholders have agreed that the Consideration Shares, once adjusted for the Transaction Capital Raising and the Ncube Settlement, will be subject to the Voluntary Escrow. Two of the Kinetiko's directors, Messrs Adam Sierakowski and Geoff Michael, have agreed to restrict a portion of their shares to the same voluntary escrow restrictions as imposed on the Badimo Shareholders. The result of these escrow arrangements and the Proposed Transaction is that the Company is deemed to take a relevant interest in itself above the 20% threshold as detailed in Resolution 9 of the Notice of Meeting. Furthermore, as a result of these escrow arrangements and the Company taking a relevant interest in itself, Mr Ncube will also have a deemed relevant interest which includes all the escrowed securities. We note that the parties involved in the escrow arrangements are permitted to exercise their right to vote, receive dividends and participate in any rights or bonus issues in connection with their escrowed shares.

As a result of the Proposed Transaction, Badimo's largest shareholder and current Afro Energy Director, Mr Donald Ncube will, together with his entities, receive up to 262,507,762 Consideration Shares. This will result in him increasing his deemed relevant interest in Kinetiko from nil to up to 47.60% (after the pro-rata adjustment for the Transaction Capital Raising and the Ncube Settlement is accounted for and including the deemed interest he gains as a result of the escrow arrangements). Individually, the other Badimo Shareholders' interest in the Company will remain below 20% following the Proposed Transaction.

We note that the Transaction Capital Raising will be conducted at an issue price of no greater than \$0.150 and no less than \$0.075 per Kinetiko share. Accordingly, the maximum possible shareholding that Mr Ncube and his entities will own following the Proposed Transaction will occur at a \$0.150 Transaction Capital Raising price. Therefore, under the Act, the Company is required to obtain Shareholder approval for the purposes of item 7 s611. This is summarised in the capital structure table below which shows the

scenario under which a Transaction Capital Raising price of \$0.150 is assumed, and only shows the holdings of the various parties and not their deemed relevant interest arising from the Voluntary Escrow.

We further note that the table below incorporates the approximately \$5 million capital raising (before costs) at \$0.09 per Kinetiko share announced in October 2022 to raise funds for its exploration program and contribute to joint venture obligations pursuant to its JDA with IDC ('October 2022 Placement'):

Capital structure	Mr Ncube	Other Badimo Shareholders	Shareholders	Total
Kinetiko shares on issue prior to the Proposed Transaction	-	-	742,651,746	742,651,746
<i>% holdings prior to the Proposed Transaction</i>	<i>0.00%</i>	<i>0.00%</i>	<i>100.00%</i>	<i>100.00%</i>
Issue of shares from the Transaction Capital Raising	-	-	43,333,334	43,333,334
Issue of Consideration Shares (prior to any adjustments)	315,372,099	282,332,713	-	597,704,812
Kinetiko shares on issue before adjustments for the Transaction Capital Raising and Ncube Settlement	315,372,099	282,332,713	785,985,080	1,383,689,892
<i>% holdings</i>	<i>22.79%</i>	<i>20.40%</i>	<i>56.80%</i>	<i>100.00%</i>
Adjustments for the Transaction Capital Raising and the Ncube Settlement				
Less: Pro-rata adjustment for the Transaction Capital Raising	(22,864,337)	(20,468,997)	-	(43,333,334)
Less: 30 million Ncube Settlement	(30,000,000)	-	-	(30,000,000)
Kinetiko shares on issue following the Proposed Transaction	262,507,762	261,863,716	785,985,080	1,310,356,558
<i>% holdings following the Proposed Transaction</i>	<i>20.03%</i>	<i>19.98%</i>	<i>59.98%</i>	<i>100.00%</i>
Collective % holding of the Badimo Shareholders following the Proposed Transaction		40.02%		

Note: the above does not account for the exercise of any Kinetiko options currently on issue (refer to Section 5.5)

Given the uncertainty around the level of participation by existing Shareholders in the Transaction Capital Raising and the extent to which the Transaction Capital Raising will be taken up by new Shareholders, the calculations in the table above represent the total holdings of Shareholders (being new and existing shareholders not associated with the Badimo Shareholders). We note the Transaction Capital Raising will be to professional and sophisticated investors only.

As indicated in the table above, Mr Ncube (and his associates) will receive up to 262,507,762 shares in Kinetiko following the Proposed Transaction, representing 20.05% of the Company's shareholding. However, a total of 623,720,666 shares are subject to the Voluntary Escrow representing 47.60% of the Company and, as a result of the technical provisions of the Act, Mr Ncube is deemed to have this level of interest in the Company.

As a group, the Badimo Shareholders will hold an interest in Kinetiko of up to 40.02% once the pro-rata adjustment for the Transaction Capital Raising and the Ncube Settlement is accounted for. New and existing Shareholders will collectively be diluted from holding 100.00% of the Company prior to the Proposed Transaction, to as low as 59.98% following the Proposed Transaction.

The capital structure table above shows the maximum relevant interest that Mr Ncube and his entities will own following the Proposed Transaction. Depending on the price that shares are issued under the

Transaction Capital Raising, Mr Ncube's relevant interest may in fact be less than the amounts shown above.

5. Profile of Kinetiko

5.1 History

Kinetiko is an ASX-listed gas exploration company, with operations based in South Africa focusing on advanced shallow conventional gas and coal bed methane ('CBM'). Kinetiko's flagship asset is the Mpumalanga Project which is held under Afro Energy, a joint venture created in April 2015 and structured as a strategic partnership between the Company (49%) and Badimo (51%). Kinetiko is the operator of the joint venture. This partnership structure has at times been inefficient and caused delays in the development of the Project with examples of this including:

- Kinetiko being unable to access the accounting records of Afro Energy resulting in Kinetiko having to fully impair its investment during the financial year ended 30 June 2018; and
- Kinetiko commencing proceedings to recover debt owed to it by Badimo as announced on 3 October 2017.

Since entering into the partnership, Kinetiko has been paying most of the exploration costs incurred by Afro Energy which have been accruing as loans in Afro Energy. Kinetiko was incorporated in 2010 and is based in Subiaco, Western Australia.

Kinetiko's board of Directors comprises:

- Adam Sierakowski (Executive Chairman);
- Geoffrey Michael (Co-Managing Director); and
- Thomas Fontaine (Non-Executive Director).

We note that as part of the Proposed Transaction, it is also proposed that Mr Donald Ncube and Mr Robert Bulder are appointed to the board of Kinetiko in the capacity of Non-Executive Directors and Mr Geoffrey Michael will resign as a Director with effect from completion of the Proposed Transaction.

Further details on Afro Energy and the Project are set out in Section 6 of our Report.

5.2 Recent Corporate Events

On 10 October 2022, Kinetiko announced the October 2022 Placement in which 56,577,777 shares were placed with investors to raise a total of approximately \$5 million (before costs). The shares from the October 2022 Placement were issued at \$0.09 per Kinetiko share, representing a 3.2% discount to the last closing price. The shares will be issued in two tranches, with 37,457,777 shares expected to settle on 28 October 2022 and 19,120,000 shares expected to settle on 30 November 2022. As a result of the October 2022 Placement, South African energy investment group, Phefo Power (Pty) Ltd ('Phefo Power') will become a substantial investor in Kinetiko. In addition, Kinetiko has granted Phefo Power an option (which expires on 28 February 2023) to subscribe for a further R30 million of shares in the Company at a price that is the greater of the 14-days VWAP of Kinetiko's shares at the time the option is exercised or \$0.09.

On 20 April 2022, Kinetiko announced it had secured a ZAR10 million (approximately \$0.9 million) subscription from Phefo Power for 30 million Kinetiko shares, and the Company also proposed a partially

underwritten pro-rata renounceable rights issue on the basis of 1 new share for every 15 shares held at an issue price of \$0.075 per share to raise a further \$3.1 million. A subsequent announcement by the Company on 6 June 2022, disclosed that the total shares issued from the renounceable rights issue to-date was 27,333,322, at an issue price of \$0.075 each, representing \$2.05 million (before costs). A further 2 million shares at the same issue price was issued on 13 September 2022 to a sophisticated investor raising an additional \$150,000 (before costs).

On 4 April 2022, the Company announced that Afro Energy had entered into a JDA with the IDC to co-develop a gas production field estimated to comprise up to 20 wells within the Project. A special purpose vehicle, Afro Gas Development SA (Pty) Ltd ('AGDSA Project'), has been incorporated for this purpose with Afro Energy as the operator. The budgeted R155 million cost of development (equivalent to approximately \$13 million at the prevailing AUD:ZAR exchange rate) will be split 45%/55% between IDC and Afro Energy, contributed in the form of shareholder loans and repayable from AGDSA Project gas revenues. The IDC will also have first right to participate in up to 45% of the next 80 wells developed by Afro Energy. It is a condition precedent that Afro Energy and the IDC have executed binding shareholder loan agreements for their respective contributions by 1 August 2022. Kinetiko has advised that Afro Energy and the IDC are currently working to extend this date.

On 17 March 2022, Kinetiko announced it had received South African Ministerial consent in relation to the Proposed Transaction and would proceed to obtain shareholder approval.

In September 2021, Kinetiko successfully completed a \$2.80 million capital raise at \$0.10 per Kinetiko share from sophisticated and professional investors. This was the first capital raise from Kinetiko outside of existing shareholders.

On 10 August 2021, the Company announced that Mr Nicholas de Blocq had been appointed as the new Chief Executive Officer, replacing Mr John Visage in the role. In addition to remuneration of \$240,000 per annum, Mr de Blocq's remuneration package includes 2 million performance options which are exercisable after the completion of 12 months of service at an exercise price of 10 cents per share, expiring 31 July 2024.

5.3 Historical Balance Sheet

Statement of Financial Position	Audited as at 30-Jun-22	Audited as at 30-Jun-21	Audited as at 30-Jun-20
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	1,347,785	190,857	1,114,767
Receivables	117,522	622,744	86,502
Other	15,458	11,090	701
TOTAL CURRENT ASSETS	1,480,765	824,691	1,201,970
NON-CURRENT ASSETS			
Receivables	660,738	-	163,291
Other	900,001	-	-
Property, plant & equipment	170,095	1,954	2,333
Investment in associate	6,648,687	7,014,212	6,506,569
TOTAL NON-CURRENT ASSETS	8,379,521	7,016,166	6,672,193
TOTAL ASSETS	9,860,286	7,840,857	7,874,163
CURRENT LIABILITIES			
Trade and other payables	470,620	298,914	558,153
Borrowings	250,000	-	-
TOTAL CURRENT LIABILITIES	720,620	298,914	558,153
TOTAL LIABILITIES	720,620	298,914	558,153
NET ASSETS	9,139,666	7,541,943	7,316,010
EQUITY			
Contributed equity	31,743,101	24,319,825	23,060,577
Reserves	633,230	639,934	(31,650)
Accumulated losses	(23,236,665)	(17,417,816)	(15,712,917)
TOTAL EQUITY	9,139,666	7,541,943	7,316,010

Source: Kinetiko's audited financial reports for the financial years ended 30 June 2020, 30 June 2021 and 30 June 2022.

In each of the Company's financial reports for the periods ended 30 June 2022, 30 June 2021, 30 June 2020, the Company's auditor raised the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The audit opinion for each of these periods was not modified in respect of these matters.

- Cash and cash equivalents increased from \$0.19 million at 30 June 2021 to \$1.35 million at 30 June 2022 primarily due to proceeds from share issuances over the period over the period as detailed below:

Cash and cash equivalents	Audited as at 30-Jun-22
	\$
Closing balance at 30 June 2021	190,857
Net cash flows from operating activities	(3,636,601)
Net cash flows from investing activities	(1,244,578)
Net cash flows from financing activities comprising:	
Proceeds from issue of ordinary shares	5,797,999
Proceeds from exercise of options	287,365
Proceeds from borrowings	250,000

Cash and cash equivalents	Audited as at 30-Jun-22 \$
Share issue costs	(297,257)
	6,038,107
Net increase in cash and cash equivalents	1,156,928
Closing balance at 30 June 2022	1,347,785

- The largest component of the receivables balance at 30 June 2022 is a loan to Afro Energy as shown in the table below:

Receivables	Audited as at 30-Jun-22 \$	Audited as at 30-Jun-21 \$	Audited as at 30-Jun-20 \$
<u>Current receivables</u>			
Other receivables - VAT refundable	12,502	10,865	37,457
Other receivables - GST refundable	23,192	16,628	30,098
Other receivables	81,828	39,967	18,947
Loan - Associated entity	-	555,284	-
Total current receivables	117,522	622,744	86,502
<u>Non-current receivables</u>			
Loan - Associated entity	660,738	-	325,953
Less: Provision for impairment of loan	-	-	(162,662)
Total non-current receivables	660,738	-	163,291

The loan to Afro Energy is unsecured, interest free and not subject to any fixed terms of repayment. It represents the amounts paid by Kinetiko on behalf of Badimo, for Badimo's portion of Afro Energy's expenditure. Following the Proposed Transaction, this loan will be an inter-company loan and hence consolidated into the Company's accounts.

- The investment in associate balance of \$6.65 million at 30 June 2022 relates to the value of Kinetiko's 49% interest in Afro Energy. Over the year ended 30 June 2022, the value of the investment decreased from \$7.01 million due to an unfavourable foreign exchange revaluation impact (\$0.24 million) and Kinetiko's share of Afro Energy's loss for the period (\$0.15 million), partially offset by contributions from Kinetiko.
- We note that based on Afro Energy's audited accounts as at 30 June 2022, Afro Energy owed R28,006,005 in interest bearing loans and R44,204,124 in non-interest bearing loans to Kinetiko. These are collectively reflected on Kinetiko's balance sheet at the same balance date as a loan receivable of \$660,738 (included as part of the receivables line item above) and within the investment in associate line item of \$6,648,687 (discussed in the previous point).
- Borrowings of \$250,000 at 30 June 2022 relates to an unsecured, interest free short-term loan from Kinetiko's Chairman, Mr Adam Sierakowski which was subsequently repaid in full in July 2022.

5.4 Historical Statement of Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-22 \$	Audited for the year ended 30-Jun-21 \$	Audited for the year ended 30-Jun-20 \$
Other income from ordinary activities	718	43,417	2,837
Total income	718	43,417	2,837
Depreciation	(21,940)	(5,581)	(530)
Administration expenses	(157,676)	(136,566)	(98,178)
Consultancy and professional costs	(275,225)	(413,907)	(196,660)
Employment and contractor expenses	(563,038)	(538,968)	(519,830)
Travel expenses	(1,135)	(172)	(15,857)
Occupancy expenses	(17,700)	(19,013)	(30,000)
Foreign exchange gain/(loss)	(32,267)	31,857	(49,269)
Project expenditure	(2,431,148)	(669,453)	(582,974)
Share based payments	(112,938)	-	-
Interest expense and finance charges	(2,056)	(10,202)	(6,792)
Reversal/(impairment) of loan to associate	-	162,662	(162,662)
Acquisition related expenditure	(340,051)	-	-
Finance charges	(1,710,000)	-	-
Total expenses	(5,665,174)	(1,599,343)	(1,662,752)
Share of net loss from associated entities	(154,393)	(148,973)	(214,244)
Loss before income tax expenses	(5,818,849)	(1,704,899)	(1,874,159)
Income tax benefit/(expense)	-	-	-
Loss after income tax expense for the year	(5,818,849)	(1,704,899)	(1,874,159)
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign balances	(236,424)	656,616	(827,668)
Total comprehensive loss for the year net of tax	(6,055,273)	(1,048,283)	(2,701,827)

Source: Kinetiko's audited financial reports for the financial years ended 30 June 2020, 30 June 2021 and 30 June 2022.

In each of the Company's financial reports for the periods ended 30 June 2022, 30 June 2021, 30 June 2020, the Company's auditor raised the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The audit opinion for each of these periods was not modified in respect of these matters.

- Other income from ordinary activities was elevated for the year ended 30 June 2021 as the Company received \$43,252 in Australian Government COVID-related subsidies.
- Consultancy and professional costs for the year ended 30 June 2021 was comparatively higher than other periods due to a settlement of \$214,331 for an ongoing legal matter with BBP Law regarding outstanding legal fees in respect of services rendered to the Company.
- The project expenditure of \$2.43 million for the year ended 30 June 2022 relates to the Company's investment in Afro Energy as well as increased project expenditure for the tenements held by Afro Energy.
- Acquisition related expenditure of \$340,051 for the year ended 30 June 2022 relates to costs associated with the Proposed Transaction.

- Finance charges of \$1.71 million were recognised during the year ended 30 June 2022 following the Phefo Power placement earlier that year. Shares issued to Phefo Power were valued at \$0.087/share but were issued at a price of \$0.03/share resulting in this expense.

5.5 Capital Structure

The capital structure data in this section has been provided by the Company based on shareholder registry data as at 9 October 2022, adjusted for the impact of the October 2022 Placement. It includes 30,000,000 of Phefo Power's shares which were held in escrow as at 9 October 2022.

The share structure of Kinetiko as at 9 October 2022 is outlined below:

	Number
Total ordinary shares on issue	742,651,746
Top 20 shareholders	437,418,003
Top 20 shareholders - % of shares on issue	58.90%

Source: Shareholder registry data provided by Kinetiko

The range of shares held in Kinetiko as at 9 October 2022 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	20	4,256	0.00%
1,001 - 5,000	31	114,807	0.02%
5,001 - 10,000	93	748,054	0.10%
10,001 - 100,000	402	17,339,523	2.33%
100,001 - and over	358	724,445,106	97.55%
TOTAL	904	742,651,746	100.00%

Source: Shareholder registry data provided by Kinetiko

The ordinary shares held by the most significant shareholders as at 9 October 2022 are detailed below:

Name	No. of Ordinary Shares	Percentage of Issued Shares (%)
Mr Brendan David Gore & associated entities	109,519,217	14.75%
Mr Adam Sierakowski & associated entities	91,829,337	12.37%
Phefo Power (Pty) Ltd	77,800,000	10.48%
Ageus Pty Ltd <M & A A/C>	43,614,954	5.87%
Subtotal	322,763,508	43.46%
Others	419,888,238	56.54%
Total ordinary shares on Issue	742,651,746	100.00%

Source: Shareholder registry data provided by Kinetiko

The following Kinetiko options are on issue as at 9 October 2022. In addition to the below, we note that from the October 2022 Placement, Phefo Power has an option to subscribe for a further R30 million of shares in the Company at a price that is the greater of the 14-days VWAP of Kinetiko's shares at the time of exercise or \$0.09. These Phefo Power-held options expire on 28 February 2023.

List of Options	Number
Options exercisable at \$0.13 expiring 7 July 2023	3,000,000
Options exercisable at \$0.10 expiring 31 July 2024	2,000,000

Source: Shareholder registry data provided by Kinetiko

6. Profile of Afro Energy

6.1 History

Afro Energy is a South African joint venture company, which the Mpumalanga Project is held through. Afro Energy was incorporated in 2015 by Kinetiko, which holds a 49% interest, in partnership with Badimo, which holds the remaining 51%. Afro Energy owns 100% of the exploration rights to the tenements outlined below in Section 6.2, with the required Black Economic Empowerment ('BEE') certification for exploration and production in the region. Aside from its interest in the Project and some working capital items, Afro Energy does not hold any other assets or liabilities. Following the Proposed Transaction, Kinetiko will have a 100% stake in Afro Energy and therefore the Project.

Afro Energy's Directors are Mr Donald Ncube and Mr Adam Sierakowski. Mr Robert Bulder is considered a key management personnel of Afro Energy.

6.2 Mpumalanga Project

The Project is located in the Mpumalanga province in South Africa and comprises a number of Exploration Rights ('ERs') in which Afro Energy is currently evaluating opportunities for further appraisal and development for gas production.

Existing infrastructure in the region includes power generation, gas pipelines, high voltage transmission lines, road and rail. The Project's area currently spans 6,988km² of land and comprises four ERs, one of which is under application. The existing ERs account for 4,605km² of land and include: ER270, ER271 and ER272, all of which are in the process of being renewed. ER320, which is currently under application and pending approval, will add another 2,383km². Post-initial renewal of the rights, the total area will reduce to 6,195km² due to regulated obligatory relinquishment. The Amersfoort and Volksrust areas, respectively in the North and South of Block ER271, contain gas within sandstone reservoirs and coals. Afro Energy is considering development of the gas contained in the sandstone in both instances. In recent months, the focus for the Project has been the development of 3 wells, named Korhaan-3,4 and 5.

While still in the exploration stages, Afro Energy has identified four areas which it will follow to make a pathway to production. These phases include extended flow testing, interval and isolation well completions, geological interpretation of the land through an aeromagnetic survey, and 'economics and offtake' which provide an outline of revenues, expenditure and the production offtake associated with the Project.

Consolidating its gas production testing, Afro Energy entered into a 50/50 joint venture terms sheet with Vutomi Energy (Pty) Ltd ('Vutomi') on 23 December 2021 to assist in producing and selling gas to third party private sector off takers. Vutomi will provide and produce with, a one-megawatt gas reticulation engine, and utilise gas available from the Project's wells. This will represent the culmination of stages 1 and 2 of the three-phase project, with the final phase involving further gas being added from new Korhaan-cluster wells, aiming to produce up to 5 megawatts of power from the same site. Kinetiko also announced it entered into a JDA with the IDC on 4 April 2022, the AGDSA Project as discussed previously, to co-develop a gas production field estimated to comprise up to 20 wells within ER271 initially, with the potential for this to increase to up to 80 wells.

The following table outlines a summary of Afro Energy's Resource Statement, which was prepared in 2020, reported on a gross 100%-basis with Prospective and Contingent Resources unrisks. Management has

advised that Afro Energy is considering development of the gas contained in the sandstone in the first instance.

Resource Statement Gas Gross (100%-basis)	Billion Cubic Feet			Billion Cubic Meter		
Gas In Place	1C	2C	3C	1C	2C	3C
CBM	3,114.2	6,883.8	13,097.2	88.2	194.9	370.9
Gas in Sandstone	1,089.8	2,422.8	4,367.8	30.8	68.6	123.7
Total	4,204.0	9,306.6	17,465.0	119.0	263.5	494.6
Prospective Resource	1U	2U	3U	1U	2U	3U
Gas in Sandstone	361.0	902.5	1,766.7	10.2	25.6	50.0
Contingent Resources	1C	2C	3C	1C	2C	3C
CBM	2,047.1	4,492.0	8,621.2	58.0	127.2	244.1
Gas in Sandstone	189.8	369.8	629.4	5.4	10.5	17.8
Total	2,236.9	4,861.8	9,250.6	63.4	137.7	261.9

Source: Kinetiko investor presentation dated 3 May 2022

We note that on 15 August 2022, the Company announced it had engaged independent gas certification group, Sproule B.V., to provide an independent evaluation of the gas reserves and/or resources of ER271, which is estimated to be completed before the end of October 2022.

6.3 Historical Balance Sheet

In 2020, Afro Energy changed its financial year end from February to June. In this and the following section, we have presented the historical balance sheet and statement of comprehensive income from Afro Energy's last three audited reports being for the year ended 30 June 2022, 30 June 2021 and for the 4-months ended 30 June 2020 (being the 4-months from its previous February 2020 financial year end).

Statement of Financial Position	Audited as at 30-Jun-22 \$	Audited as at 30-Jun-21 \$	Audited as at 30-Jun-20 \$
CURRENT ASSETS			
Cash and cash equivalents	1,347,785	190,857	1,114,767
Receivables	117,522	622,744	86,502
Other	15,458	11,090	701
TOTAL CURRENT ASSETS	1,480,765	824,691	1,201,970
NON-CURRENT ASSETS			
Receivables	660,738	-	163,291
Other	900,001	-	-
Property, plant & equipment	170,095	1,954	2,333
Investment in associate	6,648,687	7,014,212	6,506,569
TOTAL NON-CURRENT ASSETS	8,379,521	7,016,166	6,672,193
TOTAL ASSETS	9,860,286	7,840,857	7,874,163
CURRENT LIABILITIES			
Trade and other payables	470,620	298,914	558,153
Borrowings	250,000	-	-
TOTAL CURRENT LIABILITIES	720,620	298,914	558,153
TOTAL LIABILITIES	720,620	298,914	558,153
NET ASSETS	9,139,666	7,541,943	7,316,010
EQUITY			
Contributed equity	31,743,101	24,319,825	23,060,577
Reserves	633,230	639,934	(31,650)
Accumulated losses	(23,236,665)	(17,417,816)	(15,712,917)
TOTAL EQUITY	9,139,666	7,541,943	7,316,010

Source: Afro Energy's audited financial reports for the year ended 30 June 2022, 30 June 2021 and 4 months ended 30 June 2020.

We note that Afro Energy's auditor issued an unmodified audit report with no qualifications for the years ended 30 June 2022, 30 June 2021 and 30 June 2020. However, we note that the auditor outlined in each of these reports, the existence of material uncertainty relating to the ability of Afro Energy to continue as a going concern is dependent on securing additional funding.

- Trade and other receivables primarily comprise value added tax receivable.
- The intangible asset on Afro Energy's balance sheet relates to the Project and is increased through exploration activities conducted at the Project.
- Loans from joint venture partners comprises interest bearing and non-interest bearing loans provided by Kinetiko and Badimo to fund Afro Energy's operations. Under the Proposed Transaction, the debt owed to Badimo will be settled while the debt owed to Kinetiko will be consolidated under Kinetiko.

6.4 Historical Statement of Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Audited for the year ended 30-Jun-22 R	Audited for the year ended 30-Jun-21 R	Audited for the 4 months ended 30-Jun-20 R
Revenue from ordinary activities	-	-	-
Accounting fees	(90,088)	(47,575)	-
Entertainment	(240)	-	(996,355)
Auditor's remuneration	(168,392)	(205,691)	-
Bank charges	(593)	(961)	(320)
Coring & Desorption - the Project	(79,733)	(538,608)	(15,300)
Safety compliance fees	(30,356)	-	-
Insurance	(177,472)	(138,992)	(46,505)
Secretarial and taxation administration fees	-	(11,243)	(2,376)
Travel - local	(1,585,317)	(76,792)	(34,215)
Finance Costs	(1,332,873)	(2,472,053)	(922,549)
Loss before income tax expenses	(3,465,064)	(3,491,915)	(2,017,620)
Income tax expense	-	-	-
Loss after income tax expense	(3,465,064)	(3,491,915)	(2,017,620)
<i>Kinetiko's share</i>	<i>49%</i>	<i>49%</i>	<i>49%</i>
Kinetiko's share of loss	(1,697,881)	(1,711,038)	(988,634)

Source: Afro Energy's audited financial reports for the year ended 30 June 2022, 30 June 2021 and 4 months ended 30 June 2020.

We note that Afro Energy's auditor issued an unmodified audit report with no qualifications for the years ended 30 June 2022, 30 June 2021 and 30 June 2020. However, we note that the auditor outlined in each of these reports, the existence of material uncertainty relating to the ability of Afro Energy to continue as a going concern is dependent on securing additional funding.

- Finance costs relate primarily to the loans from Afro Energy's JV partners, Badimo and Kinetiko. Most of the finance costs were accrued but not paid.

6.5 Capital Structure

Under the current joint venture agreement, Kinetiko has a 49% direct interest (both economic and voting interest) in Afro Energy. However, through the Proposed Transaction, it seeks to acquire the remaining 51% interest from Badimo.

7. Economic analysis

In this section we have provided commentary on trends in the South Africa economy which we consider pertinent to Kinetiko, given its operations are based there.

7.1 South Africa

Overview

In a statement released on 22 September 2022, the South African Reserve Bank's ('SARB') Monetary Policy Committee ('MPC') revised the country's forecast economic growth to 1.9% for 2022, citing a stronger than expected first quarter of the year. However, it expects short-term factors including the flooding in Kwa-Zulu Natal and the continued electricity supply constraints to result in a contraction of 0.7% in the second quarter, before forecast growth of 0.4% and 0.3% in the third and fourth quarters, respectively. Longer term, growth is expected to moderate to 1.4% in 2023 and 1.7% in 2024 with weak government sector investment somewhat offset by household spending and private sector investments. Although the economic costs from the COVID-19 pandemic continue to fall, lockdowns in China following outbreaks and the sustained invasion of Ukraine by Russia are expected to weigh heavily on global economic growth and contribute to higher inflation.

The South African government's extension of the COVID-19 relief grants and one-off cash allowances to civil servants have aided in a recovery of South Africa's household consumption. The 2022 Budget provided a 12-month extension of the COVID-19 Social Relief of Distress Grant, from April 2022 to March 2023. Despite this, the MPC expects household spending to soften next year driven by higher inflation, lower asset prices and rising interest rates.

In terms of commodities and exports, while the start of 2022 saw key South African commodity and export prices surge higher with Russia's invasion of Ukraine, the slowing global growth environment in recent months has seen South Africa's export commodity price basket coming down from earlier peaks, with its growth forecast also revised downwards to 2.3% (from 3.2% previously). As a result, South Africa's current account surplus is expected to increase to about 0.2% of GDP this year, before reaching a deficit of 1.0% in 2023 and 1.6% in 2024.

Economic Indicators

South Africa's unemployment rate is amongst the highest in the world. According to Statistics South Africa, South Africa's unemployment rate eased to 33.9% in the June 2022 quarter, down from 34.5% in the March 2022 quarter and a record high of 35.3% evident in the period prior. The nation's high unemployment rate is a result of several constraints including strict labour laws, stagnant productivity, bureaucratic hurdles and a skills shortage. Unemployment is expected to remain elevated as labour intensive sectors, such as construction or tourism, remain constrained and domestic growth moderates.

Despite the high unemployment rate, the MPC considers the risks to the inflation outlook are to the upside as global producer and food price inflation continues to trend higher, exacerbated by the war in Ukraine. Headline inflation in the second quarter of 2022 has increased above MPC's inflation target range where it is expected to remain until the second quarter of 2023, before it reverts to the mid-point of the target range by the fourth quarter of 2024, on the back of declining fuel and food inflation.

Forecast core inflation remained unchanged by the MPC during September 2022 at 4.3% and the 2023 and 2024 forecasts revised down to 5.4% (from 5.6%) and 4.8% (from 4.9%) respectively. Meanwhile, headline inflation for 2021 was 4.5% and is forecast to increase to 6.5% in 2022 primarily due to higher food and

fuel prices. Headline inflation is expected to remain elevated at 5.3% in 2023 before easing to 4.6% in 2024. Against this backdrop, the MPC decided to increase the repurchase rate by 75 basis points, prevailing to pre pandemic levels at 6.25% with effect from 23 September 2022. This increase was largely the product of present inflationary risks with the aim to anchor inflation expectations toward the mid-point of the target band and to accelerate the likelihood of achieving the inflation target in 2024.

Currency movements

Helped by buoyant commodity prices, the Rand was one of best-performing emerging market currencies in 2022 until mid-April, when it began to depreciate strongly due to the start of policy normalisation in major economies and the slowdown in China's economy. Domestic factors such as Eskom's electricity supply challenges and the effects of the floods in KwaZulu-Natal also weighed on the Rand's performance. The unsupportive global conditions are expected to result in moderately weaker rand during the remainder of the year. The large South African bank, Nedbank, forecasts the US Dollar-Rand exchange rate to reach 16.62 in the fourth quarter of 2022 before moderating to 16.41 in the first quarter of 2023.

Source: *Statement of the Monetary Policy Committee* 22 September 2022 and prior periods, Statistics South Africa, Bloomberg and Nedbank.

8. Industry analysis

We note that the primary focus of Kinetiko's operations is the exploration of South African gas assets. However, we have included a brief overview of the global oil and gas markets, as both form the basis for the global energy market. The demand for gas is intrinsically linked to the demand for oil, and on this basis, we consider it relevant to include an overview of the oil industry as a means of providing a greater context behind the determinants of the gas market.

Given the location of Afro Energy's operations, we have also presented an update on the South African gas sector.

8.1 Global Oil and Gas Industry

The primary products of the oil and gas industry are crude oil and natural gas, and to a lesser extent, liquefied petroleum gas, coal seam gas and shale oil and gas. Historically, oil and gas have been extracted from "conventional" plays in which the hydrocarbons are trapped by an overlying layer of impermeable rock allowing for traditional extraction methods. However, oil and gas can also be found in other geological settings, such as shale formations. Shale oil and gas resources are formed within the organic rich shale source rock. As the low permeability of the shale inhibits the oil and gas from migrating to permeable reservoir rocks, shale oil and gas is often referred as 'unconventional' plays or 'tight' oil and gas.

Over the last decade, there has been significant growth in unconventional resource development due to breakthroughs in technology, which have resulted in resources located in shale and other tight formations becoming commercially viable. According to BP's Statistical Review of World Energy 2022, global oil consumption increased by 5.3 million barrels per day in 2021 but remained 3.7 million barrels per day below 2019 levels as the global economy continued its recovery from the COVID-19 pandemic. Conversely, natural gas demand grew 5.3% in 2021, recovering above pre-pandemic 2019 levels and surpassing the 4 trillion cubic meter mark for the first time. This also resulted in a strong rebound in natural gas prices

globally. However, the forecast for the oil and gas industry in 2022 remains uncertain with the Russian invasion of Ukraine and global growth concerns clouding its outlook.

While the growth, cost and risk profiles of oil and gas industry products may vary, depending on the method and technology necessary for extraction, commodities are generally traded on the same market once extracted. The global oil and gas industry is therefore one of the largest in the world, and as is inherent to large markets, the industry is dominated by large highly integrated companies. The scale of operations and the capital investment required to bring fields into production represent high barriers to entry.

The transport sector including road, rail, sea and air, accounts for most of the global oil consumption, and as a result, demand for oil is largely influenced by global economic growth. According to the Australian Government's Department of Industry, Science, Energy and Resources ('DISER'), for 2021 the top five consumers of oil were the United States (20%), China (16%), European Union (13%), India (5%) and Japan (4%).

Demand for natural gas is strongly linked with energy consumption for both industrial and residential electricity production, with the generation of electricity accounting for approximately 40%. Natural gas accounted for 23% of total global power generation in 2021 and global Liquefied Natural Gas ('LNG') trade is expected to grow by 2.5% 2021, with Asia remaining the key driver of import growth. According to the DISER, in addition to the European Union (21%), China (20%) and Japan (19%) were amongst the largest importers of liquified natural gas during 2021.

8.2 Coal Seam Gas Industry

Coal seam gas (also known as coal bed methane) is a natural gas found in coal deposits, typically 300 to 600 metres underground. During the formation of coal, large quantities of gas are generated and stored within the coal on internal surfaces, held in place by water pressure. The extraction process involves reducing this water pressure by the drilling of wells through the coal to allow the release of natural gas. Following the separation of gas and water, the gas is then piped to compression plants for transportation via gas transmission pipelines. In some instances, hydraulic fracturing or 'fracking' is used to extract coal seam gas. However we note that Kinetiko does not use hydraulic fracturing.

According to IBISWorld, modern extraction techniques, technological advancements which convert natural gas into LNG and significant infrastructure investment have allowed gas extraction activity and demand for coal seam gas to increase strongly since 2014. The key external drivers of the industry are demand from gas supply, the export price of LNG, demand from fossil fuel electricity generation and net energy consumption. Effects of the COVID-19 pandemic and subsequent falls in LNG export prices have slowed industry revenue growth. However, as economies recover from lockdowns in 2020 and extreme winter weather in Northeast Asia generates additional gas consumption, Asian markets are currently placing upward pressure on export prices.

The extraction of gas from coal seams has consequences on the surrounding environment and water resources. In order to produce gas from coal seams, water must be extracted first, lowering the pressure so the gas can flow out of the coal. Groundwater extraction may affect the quality and reduce the quantity of groundwater in adjacent aquifers that may be used for town water supply, irrigation, or by springs and other ecosystems. Further harm may arise from the storage and disposal of extracted groundwater and the effects of chemicals used in drilling and hydraulic fracturing.

8.3 South African Gas Industry

According to South Africa’s Department of Mineral Resources and Energy (‘DMRE’) Gas Master Plan 2022 Base Case Report, currently only 2.6% of South Africa’s energy demand is met by natural gas although the South African Government is aiming to increase this to 15.7% by 2030. The country’s current natural gas consumption is 0.15 Trillion cubic feet (‘Tcf’) with an average annual growth rate being 1.6% over the past decade owing to limited gas supply. Most of the gas consumption, at 0.14 Tcf per annum, is imported from gas fields located in Mozambique and utilised for power generation and industry as a fuel source.

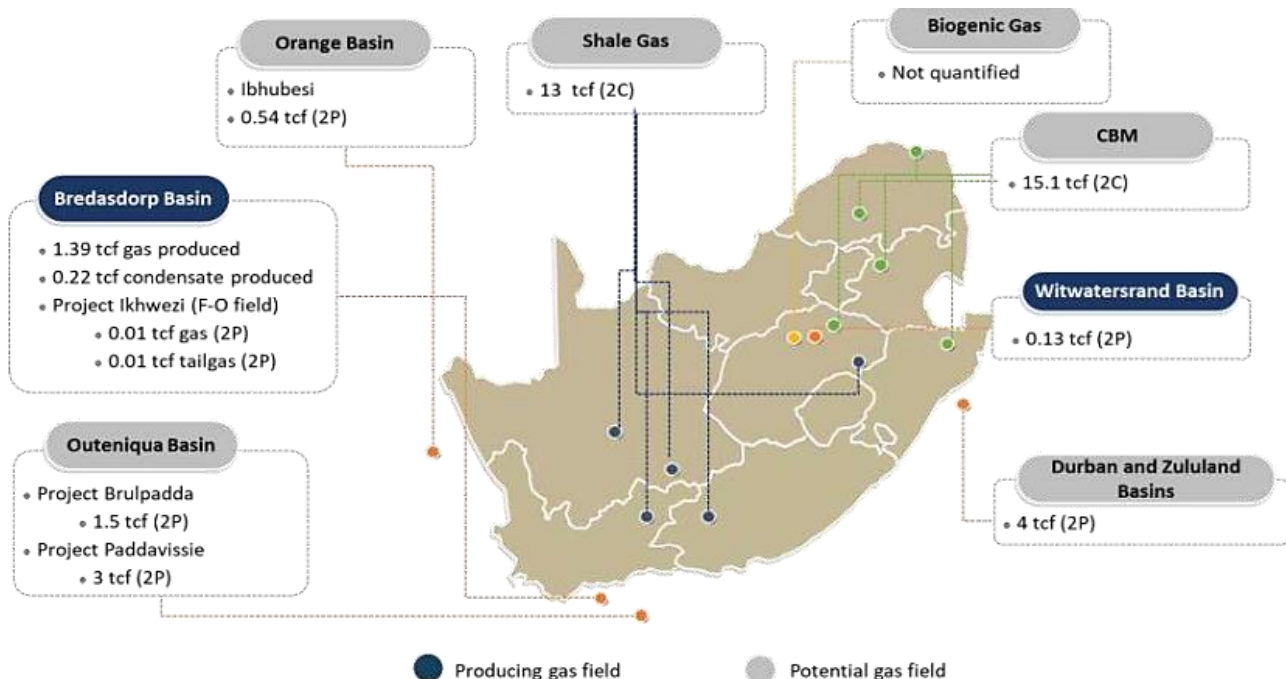
The DMRE characterises the natural gas industry in South Africa according to the three major segments of the value chain: upstream, midstream and downstream. There are a few dominant players in each segment, which are summarised in the following table:

Upstream (Exploration and Production)	Midstream (Gas Transmission)	Downstream (Distribution)
PetroSA Sasol Tetra4	PetroSA ROMPCO Sasol Transnet Egoli Gas	Sasol Spring Lights Gas Novo Energy NGV Gas Virtual Gas Network Egoli Gas Columbus Steel Phambili Gas Zemvelo Gas Iliza Gas Tetra4

Source: DMRE’s Gas Master Plan 2022 Base Case Report

Sasol is particularly dominant in South Africa, supplying nearly 90% of the country’s existing natural gas demand. However this introduces high economic and employment risks associated with the limited supply options which is why the South African government is keen to introduce more suppliers.

South Africa has several significant natural gas opportunities, which are summarised in the following map of South Africa along with their quantified reserve volumes:



Source: DMRE’s Gas Master Plan 2022 Base Case Report

Although blessed with gas resources, South Africa’s challenges have been in developing these resources and bringing gas demand and supply on stream at the same time and spreading geographically to stimulate broader demand throughout the country.

In terms of forecasts of natural gas demand, the DMRE report referenced prior research performed for the Sub-Saharan Africa region (‘SSA’) which contemplated two scenarios:

- *Business-as-usual*: natural gas demand in 2040 is expected to reach 1.38 Tcf in SSA, with an annual growth rate of 6.5%; and
- *Accelerated energy access scenario*: demand in 2040 is expected to reach 11.89 Tcf in SSA, with an annual growth rate of 22% to 2025, followed by 0.5% thereafter.

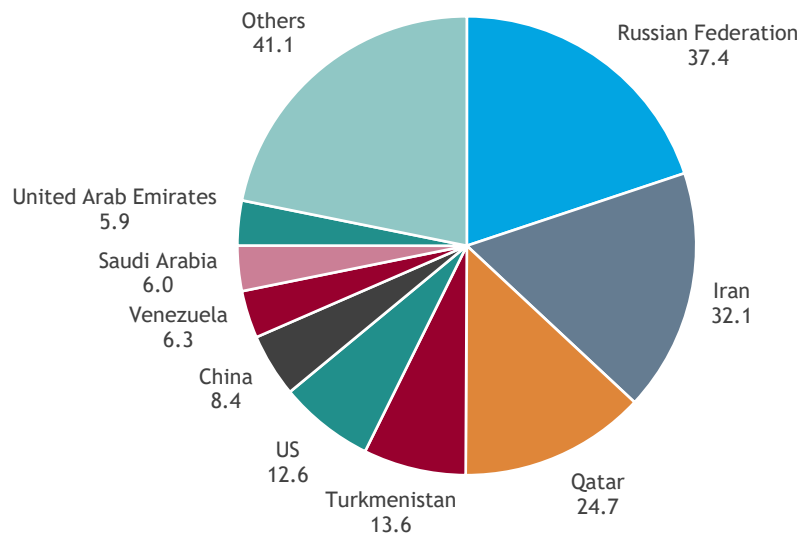
Both scenarios predict steady increase in natural gas demand until 2040, albeit at different growth rates.

8.4 Global Reserves

Natural Gas

Technically recoverable natural gas resource at the start of 2021 was measured at 188 trillion m³. Russia, Iran and Qatar were the largest regions, collectively representing 50% of total recoverable natural gas resource. At the current production rate, the known resource is sufficient to meet 50 years of global production.

Total proved natural gas reserves by country (end 2020) in trillion cubic metres



Source: BP’s Statistical Review of World Energy 2022 <https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html>

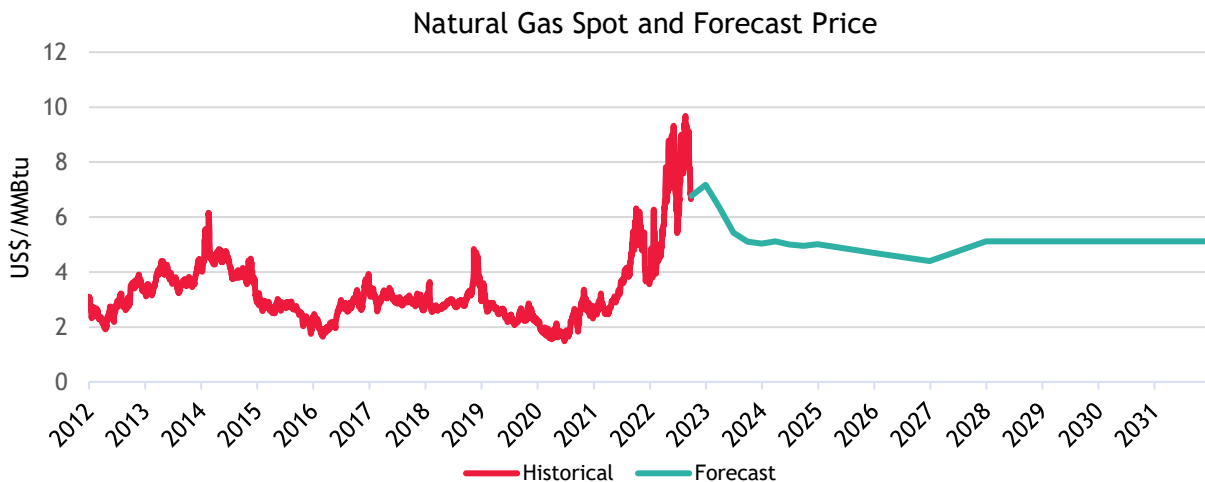
8.5 Outlook

Demand for natural gas has recovered along with the global economies following the 2020 lockdowns, however the invasion of Ukraine has led to tighter gas supplies, higher prices and an uncertain outlook, resulting in a downward revision to the forecast demand for 2022 by the International Energy Agency.

Over the longer run however, natural gas is expected to continue to increase its share in the global energy mix. Global energy demand is predicted to increase by 35% over the period from 2015 to 2040, driven largely by electricity production and growth in developing and non-Organisation for Economic Co-operation and Development countries, particularly India. Natural gas is anticipated to be the largest contributor, increasing its share in the global energy mix by 3.6% and overtaking coal as the second largest energy source behind oil. Forecast increases in oil prices and tighter regulations surrounding energy efficiency are expected to drive this change.

The DISER predicts global LNG trade to increase by 4.3% in 2022 and average 4.6% per annum over 2023 to 2027. The DISER predicts global LNG markets to tighten considerably in the second half of 2022, as global supply is impacted by disruptions to LNG facilities in the US and Russian pipeline exports. Although the market is expected to be tight to 2025 as demand growth outstrips supply, from 2026 several sizeable projects are expected to come online in the US and Qatar which should result in over-supply then.

The US natural gas spot price since 2012 and forecast prices from Consensus Economics through to 2031 are depicted in the graph below:



Source: Bloomberg (historical pricing) and Consensus Economics September 2022 (forecast)

Forecasts suggest increased volatility due to unfavourable developments in the global economic cycle that are driven by the pandemic, Russia's invasion of Ukraine and aggressive policy tightening by world central banks. Russia has cut off natural gas supplies to Europe via the Nordstream pipeline and, due to Europe's inability to easily swap natural gas suppliers or swap to different energy inputs, there are concerns energy will be rationed resulting in a recession. Our analysis of consensus forecasts for US natural gas prices indicates a gradual increase in prices for the remainder of 2022, followed by a sharp decline in prices over the first half 2023, before moderating to a more gradual decline to 2026 and eventually increasing to the long-term forecast (from 2027 to 2031) of approximately US\$5.12/MMBtu.

Substitutes for oil and gas include coal, solar power, wind power, hydroelectricity and nuclear energy. The DISER predicts that renewable energy sources will experience the fastest average annual consumption growth rate of 6.8%. However, it is anticipated that oil and gas will still supply more than 50% of global

energy needs by 2040. As discoverable reserves are depleted and alternative fuels become more widely available with advances in technology, these traditional fuel sources will face a more apparent threat of substitution. Nonetheless, for the medium term, oil and gas will continue to play a fundamental role in all economies, particularly in developing countries lacking the investment and infrastructure necessary to move to renewable fuel sources.

Sources: IBIS World *Liquefied Natural Gas Production in Australia Report* December 2021, South Africa's Department of Mineral Resources and Energy *Gas Master Plan 2022 Base Case Report*, International Energy Agency *Gas Market Report Q3-2022*, International Energy Agency *World Energy Outlook 2021*, BP *Statistical Review of World Energy 2022*, Consensus Economics September 2022 and DISER *Resources and Energy Quarterly* June 2022.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. It is possible for a combination of different methodologies to be used together to determine an overall value where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as a 'sum-of-parts' ('Sum-of-Parts') valuation.

The approach using the Sum-of-Parts involves separately valuing each asset and liability of the company. The value of each asset may be determined using different methods as described above.

In our assessment of the value of a Kinetiko share prior to the Proposed Transaction, we have chosen to employ the following methodologies:

- Sum-of-Parts as our primary methodology, which estimates the market value of a company by assessing the realisable value of its identifiable assets and liabilities. The value of each asset and liability may be determined using different methods and the component parts are then aggregated using the NAV methodology. The value derived from this methodology reflects a control value; and
- QMP as our secondary methodology to value a Kinetiko share prior to the Proposed Transaction, as this represents the value that a Shareholder may receive for a share if it were sold on market. The value derived from this methodology reflects a minority interest value and as such we have applied a control premium to this value.

In our assessment of the value of a Kinetiko share following the Proposed Transaction, we have chosen to employ the Sum-of-Parts as our primary valuation methodology. As discussed previously this methodology reflects a controlling interest hence we have applied a minority interest discount to this. We have also given consideration to the post-announcement QMP as a secondary valuation methodology, along with the

Phefo Power placement and renounceable rights issue the Company announced on 20 April 2022 and the October 2022 Placement as cross-checks. However, for reasons discussed later in our Report, we consider the post-announcement QMP and recent capital raisings to be less reliable measures of the value of a Kinetiko share following the Proposed Transaction.

We have employed the Sum-of-Parts method in estimating the fair market value of Kinetiko both prior to and following the Proposed Transaction by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration to the:

- Value of Afro Energy's mineral assets and exploration properties, as valued by independent technical specialist, RISC Advisory Pty Ltd ('RISC'). Further detail of the valuation methodologies employed by RISC can be found in their report contained in Appendix 3; and
- Value of Kinetiko's and Afro Energy's other assets and liabilities using the NAV approach.

We have chosen the valuation methodologies for the following reasons:

- Both prior to and following the Proposed Transaction, the core value of Kinetiko lies in its interest in Afro Energy which in turn, derives most of its value from its 100% holding in the Project. The Project is currently not producing, nor generating revenues or cash flows for Afro Energy. Therefore we have commissioned RISC as the independent technical specialist to value Afro Energy's interest in the Project. This value has been combined with the value of Kinetiko's and Afro Energy's other assets and liabilities. Hence, we consider the Sum-of-Parts approach to be an appropriate methodology to use in assessing the value of a Kinetiko share both prior to and following the Proposed Transaction;
- Afro Energy's mineral assets have no material level of foreseeable future net cash inflows on which either RISC or BDO would have sufficient reasonable grounds in accordance with RG 170 and ASIC's IS 214 therefore the application of the DCF approach is not appropriate;
- The FME methodology is most commonly applicable to profitable businesses with steady growth histories and forecasts. Kinetiko does not have a history of generating profits as the Project has yet to enter production. The FME methodology is also not considered appropriate for valuing finite life assets such as mining assets; and
- The QMP basis is a relevant methodology to consider because Kinetiko's shares are listed on the ASX, therefore reflecting the value that a Shareholder will receive for a share sold on market. This means that there is a regulated and observable market where Kinetiko's shares can be traded. However, in order for the QMP to be considered appropriate, the Company's shares should be liquid and the market should be fully informed on the Company's activities.

Technical Expert

In performing our valuation of the Project as held by Afro Energy, we have relied on the Independent Technical Specialist Report ('ITSR') prepared by RISC.

The ITSR has been prepared in accordance with the Petroleum Resources Management System ('PRMS') as prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers and was guided by certain principles of the Australasian Code for Public Reporting of Technical Assessments and Valuation of Mineral Assets (2015 Edition) ('VALMIN Code') where relevant. The ITSR has been prepared by RISC in accordance with industry practices and is compliant with the requirements of the PRMS and the VALMIN

Code where relevant. The specific valuation methodologies used by RISC are referred to in the respective sections of our Report and in further detail in the ITSR contained in Appendix 3.

10. Valuation of Kinetiko prior to the Proposed Transaction

Our valuation of the Company prior to the Proposed Transaction involves the following:

- Sum-of-Parts method as our primary valuation methodology (Section 10.1); and
- QMP of Kinetiko including a premium for control as our secondary valuation methodology (Section 10.2).

10.1 Sum-of-Parts Valuation of Kinetiko

We have employed the Sum-of-Parts methodology in estimating the fair market value of a Kinetiko share on a control basis prior to the Proposed Transaction, by aggregating the estimated fair market values of its underlying assets and liabilities. This is summarised in the table and accompanying discussion below:

Sum-of-Parts Valuation prior to the Proposed Transaction	Ref	Low value \$	Preferred value \$	High value \$
Value of Kinetiko's 49% economic interest in Afro Energy prior to the Proposed Transaction	10.1.1	(1,032,954)	15,487,215	140,357,775
Value of Kinetiko's other assets and liabilities prior to the Proposed Transaction	10.1.2	5,300,492	5,300,492	5,300,492
Value of Kinetiko prior to the Proposed Transaction (control)		4,267,538	20,787,707	145,658,267
Shares on issue prior to the Proposed Transaction	10.1.3	742,651,746	742,651,746	742,651,746
Value of a Kinetiko share prior to the Proposed Transaction (control)		\$0.006	\$0.028	\$0.196

Source: BDO analysis

We have assessed the value of a Kinetiko share prior to the Proposed Transaction on a control basis to be in the range of \$0.006 and \$0.196 with a preferred value of \$0.028.

The following is a discussion of the components in our Sum-of-Parts valuation.

10.1.1. Value of Kinetiko's 49% economic interest in Afro Energy prior to the Proposed Transaction

In valuing Kinetiko's 49% economic interest in Afro Energy prior to the Proposed Transaction, we have adopted its assets and liabilities from its latest available audited statement of financial position (30 June 2022).

As these were provided in ZAR terms, we have aggregated the net assets position and converted it into an AUD equivalent using an AUD:ZAR exchange rate, before pro-rating it for Kinetiko's 49% economic interest.

Value of Afro Energy prior to the Proposed Transaction	Note	Audited as at 30-Jun-22 R	Low value R	Preferred value R	High value R
CURRENT ASSETS					
Cash and cash equivalents		10,892	10,892	10,892	10,892
Trade and other receivables		808,677	808,677	808,677	808,677
TOTAL CURRENT ASSETS		819,569	819,569	819,569	819,569
NON-CURRENT ASSETS					
Intangible assets	a	62,753,729	64,000,000	456,000,000	3,419,000,000
TOTAL NON-CURRENT ASSETS		62,753,729	64,000,000	456,000,000	3,419,000,000
TOTAL ASSETS		63,573,298	64,819,569	456,819,569	3,419,819,569
CURRENT LIABILITIES					
Trade and other payables		1,130,308	1,130,308	1,130,308	1,130,308
TOTAL CURRENT LIABILITIES		1,130,308	1,130,308	1,130,308	1,130,308
NON-CURRENT LIABILITIES					
Provisions		31,000	31,000	31,000	31,000
Loans from joint venture partners:					
Kinetiko - interest bearing		28,006,005	28,006,005	28,006,005	28,006,005
Kinetiko - non-interest bearing		44,204,124	44,204,124	44,204,124	44,204,124
Badimo - interest bearing		10,343,470	10,343,470	10,343,470	10,343,470
Badimo - non-interest bearing		5,615,184	5,615,184	5,615,184	5,615,184
Total loans from JV partners		88,168,783	88,168,783	88,168,783	88,168,783
TOTAL NON-CURRENT LIABILITIES		88,199,783	88,199,783	88,199,783	88,199,783
TOTAL LIABILITIES		89,330,091	89,330,091	89,330,091	89,330,091
NET ASSETS - ZAR Terms		R (25,756,793)	R (24,510,522)	R 367,489,478	R 3,330,489,478
<i>Divided by: AUD:ZAR exchange rate as at 3 October 2022 per Bloomberg</i>	b			11.6270	
Value of a 100% interest in Afro Energy prior to the Proposed Transaction - AUD terms			\$(2,108,069)	\$31,606,560	\$286,444,438
Multiplied by: Kinetiko's economic interest in Afro Energy prior to the Proposed Transaction			49%	49%	49%
Value of Kinetiko's 49% economic interest in Afro Energy prior to the Proposed Transaction - AUD terms			\$(1,032,954)	\$15,487,215	\$140,357,775

Source: Audited financial statement of Afro Energy for the year ended 30 June 2022 and BDO analysis

The table above indicates the value of Kinetiko's 49% economic interest in Afro Energy falls within a range of between \$nil and \$140.36 million, with a preferred value of \$15.49 million.

We have been advised that there has not been a significant change in the net assets of Afro Energy since 30 June 2022, other than the adjustments set out in the notes below.

Note a) Intangible assets - the Project

We instructed RISC to provide an independent market valuation of the exploration assets held by Afro Energy. RISC considered a number of different valuation methods when valuing the exploration assets of

Afro Energy. In forming its valuation range, RISC considered analogous transactions, comparable metrics and historical and future costs. The full details of its valuation assessment are set out in the ITSR attached as Appendix 3. We consider these methods to be appropriate given the early stage of development for Afro Energy's exploration assets. RISC also considered the DCF method but ultimately decided it was not reliable due to the number of assumptions that had to be made and the uncertainties in the parameter values.

The range of values for Kinetiko's 49% interest in the Project as assessed by RISC is set out below. We note the valuation was assessed in AUD terms and as at 1 June 2022. RISC has considered events subsequent to this date but has determined they do not materially impact its valuation assessment. We subsequently grossed-up this valuation for Afro Energy's 100% interest in the Project and converted it into a ZAR equivalent using an AUD:ZAR exchange rate of 11.1695 as at 1 June 2022 (as sourced from Bloomberg):

Intangible assets	Currency	Low value	Preferred value	High value
RISC's assessment of the value of Kinetiko's 49% interest in the Project	A\$m	2,800,000	20,000,000	150,000,000
RISC's valuation grossed up for a 100% interest in the Project	A\$m	5,714,286	40,816,327	306,122,449
<i>Multiplied by: AUD:ZAR exchange rate at 1 June 2022</i>		<i>11.1695</i>	<i>11.1695</i>	<i>11.1695</i>
Value of the Project in ZAR	<i>million R</i>	63,825,714	455,897,959	3,419,234,694
Value of the Project in ZAR (rounded to nearest million R)	<i>million R</i>	64,000,000	456,000,000	3,419,000,000

Source: ITSR by RISC, Bloomberg and BDO analysis

As discussed in the ITSR, the resultant valuation range assessed by RISC is wide reflecting the substantial further work on the contingent resources required on the Project to identify the size of the commercially developable area and resources. Other valuation methods were also considered by RISC but due to the paucity in comparable onshore gas developments projects in southern Africa, it was difficult to make meaningful valuation comparisons.

RISC's low estimate was based on relevant historical exploration expenditure while its high estimate was based on comparable transactions. Its preferred valuation was estimated using total project past costs and warranted future exploration expenditure as estimated by RISC.

Note b) AUD:ZAR exchange rate

The AUD:ZAR exchange rate of 11.6270 at 3 October 2022 as sourced from Bloomberg was used to convert the ZAR amounts into their AUD equivalents.

10.1.2. Value of Kinetiko's other assets and liabilities prior to the Proposed Transaction

Outside of its 49% economic interest in Afro Energy, Kinetiko also holds some cash, working capital items and property, plant and equipment. The table below and accompanying notes below summarises the assets and liabilities of Kinetiko at 30 June 2022, with adjustments for any material movements in their balances based on the latest available unaudited management accounts.

The adjusted value of the other assets and liabilities of Kinetiko is summarised below.

Value of Kinetiko's other assets and liabilities prior to the Proposed Transaction	Note	Audited as at 30-Jun-22 \$	Adjusted value \$
CURRENT ASSETS			
Cash and cash equivalents	i	1,347,785	5,231,164
Receivables		117,522	117,522
Other		15,458	15,458
TOTAL CURRENT ASSETS		1,480,765	5,364,144
NON-CURRENT ASSETS			
Receivables		660,738	660,738
Other		900,001	900,001
Property, plant & equipment		170,095	170,095
Investment in associate	ii	6,648,687	-
TOTAL NON-CURRENT ASSETS		8,379,521	170,095
TOTAL ASSETS		9,860,286	5,534,239
CURRENT LIABILITIES			
Trade and other payables	iii	470,620	233,747
Borrowings	iv	250,000	-
TOTAL CURRENT LIABILITIES		720,620	233,747
TOTAL LIABILITIES		720,620	233,747
NET ASSETS		9,139,666	5,300,492

Source: Audited financial statement of Kinetiko for the year ended 30 June 2022, unaudited management accounts of Kinetiko at 30 September 2022 and BDO analysis

Note i) Cash and cash equivalents

We have adjusted the cash and cash equivalents balance to account for the balance per management accounts at 30 September 2022 of \$444,684 (for which we have sighted bank statements as support). We have also included the cash impact from the October 2022 Placement, with an estimated 6% placement cost as advised by Management. The table below summarises this:

Adjusted cash and cash equivalents		
Balance at 30 September 2022 per management accounts	A\$	444,684
Cash impact from October 2022 Placement:		
Shares issued	no.	56,577,777
Issue price	A\$/share	\$0.090
Gross proceeds	A\$	5,092,000
Less: estimated placement costs (6%)	A\$	(305,520)
Net proceeds	A\$	4,786,480
Adjusted cash and cash equivalents balance	A\$	5,231,164

Note ii) Investment in associate

As this balance relates to the Company's 49% economic interest in Afro Energy, we have adjusted the value to \$nil as it has already been accounted for in Section 10.1.1 above.

Note iii) Trade and other payables

We have adjusted the trade and other payables balance to account for the balance per management accounts at 30 September 2022.

Note iv) Borrowings

We have adjusted the borrowings of \$250,000 to \$nil as this short-term loan from Mr Adam Sierakowski to the Company was repaid in July 2022.

10.1.3. Shares on issue prior to the Proposed Transaction

As detailed in Section 5.5, including the October 2022 Placement, there are 742,651,746 Kinetiko shares on issue.

10.2 Quoted Market Prices for Kinetiko Securities

To provide a comparison to the valuation of a Kinetiko share in Section 10.1, we have also assessed the quoted market price for a Kinetiko share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.43 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst Badimo will not be obtaining 100% of Kinetiko, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. The expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

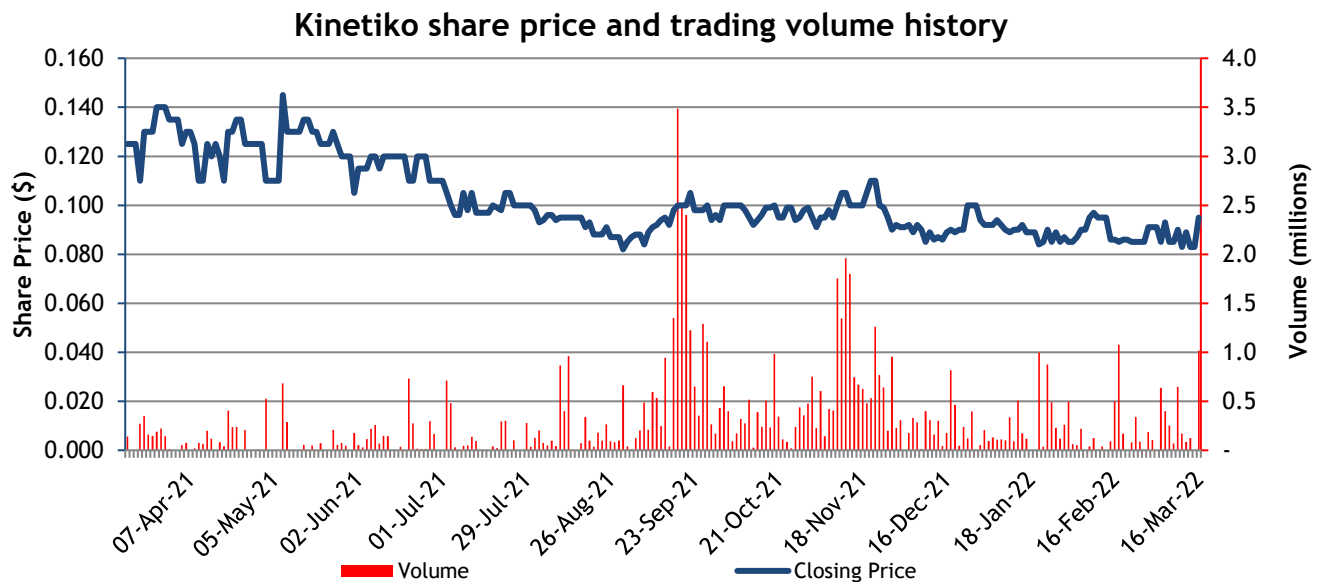
Therefore, our calculation of the quoted market price of a Kinetiko share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Typically, our analysis of the quoted market price of a Kinetiko share would be based on the pricing prior to the announcement of the Proposed Transaction. This is because the value of a Kinetiko share after the announcement may include the effects of any change in value as a result of the Proposed Transaction. However, Kinetiko first announced its intentions to consolidate its interest in Afro Energy on 7 May 2021. On that date, the Company announced it had executed a binding terms sheet with Badimo in relation to the Proposed Transaction. At the time, the cut-off date for the conditions precedent to be satisfied or waived was on or before 31 August 2021, but this date has been delayed and Kinetiko has kept the market informed of its developments in this regard throughout this period.

Subsequently on 24 December 2021, Kinetiko announced that it had executed binding legal agreements in relation to the Proposed Transaction and suggested that the remaining conditions precedent could be achieved in time for the transaction to be completed by the end of March 2022. Then, on 17 March 2022, the Company announced that the South African ministerial approval had been obtained for the Proposed Transaction and it could proceed to seek approval from Shareholders.

The market has therefore been aware of the Proposed Transaction since 7 May 2021. Usually, we would perform our analysis based on the last trading day prior to the 7 May 2021 date. However, as a significant amount of time has passed since and because regulatory approval had not yet been granted at that time, we have performed our analysis on the share price movement of Kinetiko over the 12 months to 16 March 2022 instead. This was the last trading day prior to the announcement that Kinetiko had obtained South African ministerial approval, allowing it to proceed to seek approval from Shareholders for the Proposed Transaction. The following chart provides a summary of the share price movement over this period.



Source: Bloomberg

The daily price of Kinetiko shares from 15 March 2021 to 16 March 2022 has ranged from a low of \$0.082 on 31 August 2021 to a high of \$0.145 on 7 May 2021. Over the period analysed, Kinetiko’s share price has declined from the \$0.130 levels in April 2021 to trade around the \$0.090 levels from September 2021 onwards. There are two notable spikes in trading volumes, firstly in mid-September 2021 and secondly in mid-November 2021. As detailed below, the first spike coincided around the time the Company announced that its Executive Chairman, Mr Adam Sierakowski, had purchased 300,000 Kinetiko shares on-market. There were no material announcements around the time of the second spike in mid-November 2021, but we note the Company released its Notice of Meeting for the 2021 Annual General Meeting in the lead up to the spike in volume traded.

During the period analysed, a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		\$	(movement)	%	\$	(movement)	%
08/03/2022	Korhaan 4 Well Flow Testing Commencing	0.085	▶	0%	0.089	▲	5%
04/02/2022	Korhaan Wells Update	0.090	▲	3%	0.097	▲	8%
27/01/2022	New Aeromagnetic Survey Interpretation Update	0.089	▲	5%	0.085	▼	4%
24/01/2022	Korhaan Project Wells All Intersecting Gas	0.090	▲	6%	0.085	▼	6%
24/12/2021	Kinetiko Executes Binding Agreements to Acquire Afro Energy	0.100	▶	0%	0.092	▼	8%
23/12/2021	Kinetiko executes first off take agreement	0.100	▲	11%	0.094	▼	6%
20/12/2021	Korhaan-4 Well Intersects Significant Gas	0.089	▼	1%	0.100	▲	12%
25/11/2021	Third Well of Korhaan Project Spudded	0.099	▼	1%	0.092	▼	7%
16/11/2021	Second Well on Korhaan Project Spudded	0.100	▶	0%	0.105	▲	5%
16/09/2021	Change of Director's Interest Notice	0.098	▲	7%	0.100	▲	2%
08/09/2021	Investor Presentation - Good Oil and Gas Energy Conference	0.089	▲	6%	0.094	▲	6%
08/09/2021	Operations Update	0.089	▲	6%	0.094	▲	6%
08/09/2021	Fourth High Resolution Aeromagnetic Survey Confirmed	0.089	▲	6%	0.094	▲	6%
02/07/2021	Completion of Placement and SPP to Raise \$4.8 Million	0.105	▼	5%	0.096	▼	9%
30/06/2021	Trading Halt	0.110	▶	0%	0.100	▼	9%
22/06/2021	June 2021 - Investor Presentation	0.110	▶	0%	0.120	▲	9%
07/05/2021	Kinetiko Acquires 100% of South African Gas Project	0.145	▲	32%	0.130	▼	10%
05/05/2021	Trading Halt	0.110	▶	0%	0.130	▲	18%
20/04/2021	Successful Production Flow Test - Well KA-03PTR	0.130	▲	18%	0.135	▲	4%
23/03/2021	Commissioning Work for Pilot Gas-to-CNG Production Complete	0.130	▶	0%	0.140	▲	8%

Source: Bloomberg and BDO analysis

On 8 March 2022, the Company announced it had begun gas flow testing at Korhaan-4, being the first of three flow tests from the Korhaan wells. The Company also disclosed it had moved closer to completion of material agreements with a major South African institution for funding to develop a new field of wells, and completing off-take arrangements with Vutomi for the Korhaan wells. The Company's shares closed unchanged on the day of the announcement but rose 5% over the subsequent three trading days.

On 4 February 2022, the Company announced drilling at Korhaan-5 had reached terminal depth and has flowed gas. Similarly Korhaan-3 has also reached its terminal depth and gas was encountered. Flow testing of the Korhaan wells was the next step outlined in the announcement. The Company's share price rose 3% on the day and a further 8% over the next three trading days.

On 27 January 2022, Kinetiko announced it completed its third aeromagnetic survey and results indicated a total of 42 new compartments, measuring collectively over 264 km² were discovered. This added to the 37 compartments identified from previous aeromagnetic surveys. Although Kinetiko's share price ended the day 5% higher at \$0.089, over the subsequent three trading days it fell 4% back to \$0.085.

On 24 January 2022, the Company announced drilling at Korhaan had reached terminal depth and gas was detected. Kinetiko's share price closed 6% higher at \$0.090 but gave up the gains over the subsequent three trading days to close 6% lower back at \$0.085.

On 24 December 2021, Kinetiko announced it had executed binding formal legal agreements with Badimo in relation to the Proposed Transaction. The announcement was substantially similar to the first announcement of the Proposed Transaction on 7 May 2021, aside from the use of the term 'formal legal agreements' and an increase in the number of Consideration Shares from 595,577,619 to 597,704,812. The updated indicative timetable showed an expected completion date at the end of March 2022, compared with August 2021 from the initial announcement. On the day of the announcement, the Company's shares closed unchanged at \$0.100, although it fell 8% over the next three trading days to \$0.092.

On 23 December 2021, the Company announced that Afro Energy had entered into a 50/50 joint venture terms sheet with Vutomi to assist in producing and selling gas to third party private sector off takers. Vutomi will provide and produce with, a 1 MW gas reticulation engine, and utilise gas available from Afro Energy's wells. The Company's shares closed 11% higher on the day but fell 6% over the subsequent three trading days.

On 20 December 2021, Kinetiko announced it had completed drilling of the production section at Korhaan-4 and preliminary gas flows were established under choked conditions. Kinetiko's share price closed 1% lower on the day but traded 12% higher over the next three trading days.

On 25 November 2021, Kinetiko announced the third well at the three well Korhaan project, Korhaan-3, had spudded. On the day of the announcement the Company's share price closed 1% lower and fell a further 7% over the subsequent three trading days.

On 16 November 2021, Kinetiko announced the second well at the three well Korhaan project, Korhaan-5, had spudded. Although the price of a Kinetiko share closed unchanged on the day, over the next three trading days it rose 5% to close at \$0.105.

On 16 September 2021, the Company announced its Executive Chairman, Mr Adam Sierakowski, had purchased 300,000 Kinetiko shares on market for a consideration of \$28,099. Kinetiko's share price ended the day 7% higher to \$0.098 and rose a further 2% over the subsequent three trading days. Over the next three trading days, the volume of shares traded were also elevated.

On 8 September 2021, the Company released three announcements:

- a fourth aeromagnetic survey has been confirmed to follow up previous surveys across the Project;
- an operations update highlighting the Company had been in negotiations with a number of drilling contractors to undertake drilling at the Korhaan wells, and that it had expected the Proposed Transaction to complete before 2022; and
- an investor presentation at The Good Oil and Gas Energy Conference in Perth.

On that day, shares in Kinetiko rose 6% to \$0.089 and they continued to rise another 6% to \$0.094 over the subsequent three trading days.

On 2 July 2021, Kinetiko announced it had received firm commitments from sophisticated and professional investors through a \$2.8 million placement at \$0.100 a share and that it would extend a Share Purchase Plan to existing shareholders to raise a further \$2.0 million. The price of a Kinetiko share fell 5% on the day and a further 9% over the next three trading days.

On 22 June 2021, the Company released an investor presentation. Its share price closed unchanged on the day but rose 9% over the subsequent three trading days.

On 7 May 2021, Kinetiko made the first announcement in relation to the Proposed Transaction, having executed a binding terms sheet with Badimo. At the time of the announcement, the number of Consideration Shares was less at 595,577,619 shares and the indicative date for completion of the Proposed Transaction was August 2021. Shares in the Company jumped 32% higher on the day of the announcement, rising from \$0.110 to \$0.145, although it gave up some of its gains over the next three trading days to close 10% lower at \$0.130.

On 20 April 2021, the Company announced successful production flow test at one of the wells at the Project, KA-03PTR, which confirmed that the well could be taken into production. Kinetiko's shares closed 18% higher on the day at \$0.130 and rose a further 4% over the next three trading days.

On 23 March 2021, Kinetiko announced that commissioning work for its pilot gas to compressed natural gas production from well KA-03PTR had completed. Although the Company's share price closed unchanged on the day of the announcement, it increased 8% over the subsequent three trading days to close at \$0.140.

To provide further analysis of the market prices for a Kinetiko share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 16 March 2022.

Share Price per unit	16-Mar-22	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.095				
Volume weighted average price (VWAP)		\$0.089	\$0.088	\$0.089	\$0.095

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the announcement on 16 March 2022, to avoid the influence of any increase or decrease in price of Kinetiko's shares that has occurred since that announcement.

An analysis of the volume of trading in Kinetiko shares for the twelve months to 16 March 2022 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.084	\$0.097	1,014,988	0.16%
10 Days	\$0.080	\$0.097	3,398,456	0.54%
30 Days	\$0.080	\$0.097	6,525,028	1.04%
60 Days	\$0.080	\$0.105	14,207,164	2.27%
90 Days	\$0.080	\$0.120	31,648,625	5.05%
180 Days	\$0.080	\$0.120	66,261,981	10.58%
1 Year	\$0.080	\$0.145	74,404,393	11.88%

Source: Bloomberg, BDO analysis

This table indicates that Kinetiko's shares display a low level of liquidity, with 1.04% of the Company's current issued capital being traded over the 30-days to 16 March 2022 and only 11.88% in a twelve-month period. RG 111.86 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted

price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Kinetiko, we do not consider the shares to be liquid and active. This is because over the period assessed, there were about 14% of the trading days where no trading in Kinetiko shares occurred and over the one year period, only 11.88% of its current issued capital was traded.

Our assessment is that a range of values for Kinetiko shares based on market pricing, after disregarding post announcement pricing, is between \$0.085 and \$0.095.

Control Premium

The concept of a premium for control reflects the additional value that is attached to a controlling interest.

We have reviewed the control premiums on completed transactions, paid by acquirers of ASX-listed oil and gas companies, ASX-listed energy companies and all ASX-listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium) and at a premium in excess of 100%. We have summarised our findings below:

ASX-listed oil and gas companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2022	2	1,875.97	8.14
2021	1	12,692.96	9.84
2020	1	4.71	0.93
2019	1	13.31	30.24
2018	3	385.81	29.79
2017	1	10.86	37.93
2016	1	339.71	21.32
2015	4	111.40	14.60
2014	4	684.22	64.78
2013	3	65.82	31.02
2012	2	222.52	49.85

Source: Bloomberg and BDO analysis

ASX-listed energy companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2022	2	1,875.97	8.14
2021	2	7,551.60	17.92
2020	5	333.86	20.31
2019	3	10.36	19.61
2018	5	286.44	33.21
2017	2	79.32	67.87
2016	2	169.96	29.33
2015	9	68.70	23.37
2014	8	371.16	63.39
2013	10	43.52	32.61
2012	7	444.70	33.98

Source: Bloomberg and BDO analysis

All ASX-listed companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2022	27	4,572.43	18.74
2021	33	1,420.58	33.59
2020	25	451.20	37.66
2019	43	3,161.24	29.90
2018	42	1,158.47	31.08
2017	29	973.72	37.91
2016	38	788.28	36.82
2015	34	828.15	34.10
2014	45	517.00	37.98
2013	36	138.78	33.37
2012	47	511.86	43.94

Source: Bloomberg and BDO analysis

The mean and median of the entire data sets comprising control transactions from 2012 onwards for ASX-listed oil and gas companies, ASX-listed energy companies and all ASX-listed companies are set out below:

Entire Data Set Metrics	ASX-listed oil and gas companies		ASX-listed energy companies		All ASX-listed companies	
	Deal Value (\$m)	Control Premium (%)	Deal Value (\$m)	Control Premium (%)	Deal Value (\$m)	Control Premium (%)
Mean	947.65	31.14	547.75	33.71	1252.43	34.54
Median	69.49	26.90	55.13	30.24	126.86	30.24

Source: Bloomberg and BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;

- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree’s securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre-transaction or proceeded to hold a controlling interest post-transaction in the target company.

The table above indicates that the long-term average control premium by acquirers of ASX-listed oil and gas companies, ASX-listed energy companies and all ASX-listed companies is approximately 31.14%, 33.71% and 34.54% respectively. However, in assessing the transactions included in the table above, we noted that control premiums appeared to be positively skewed by outliers.

In a population where the data is skewed, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was approximately 26.90% for ASX-listed oil and gas companies, and 30.24% for both ASX-listed energy companies and all ASX-listed companies. We further note the median values are similar to the mean values with outliers removed.

We consider an appropriate control premium to be on the lower end of historical averages as a result of the degree of business risk faced by small, early-stage exploration companies. As Kinetiko’s current operations are in the exploration phase, based in South Africa and are therefore exposed to higher risks, we believe that an acquirer would not be willing to pay a control premium in line with the higher range of historical averages. Based on the above, we consider an appropriate premium for control to be between 20% and 30%, with a preferred midpoint of 25%.

Quoted market price including control premium

Applying a control premium to Kinetiko’s quoted market share price results in the following quoted market price value including a premium for control:

	Low	Preferred	High
	\$	\$	\$
Quoted market price value	0.085	0.090	0.095
Control premium	20%	25%	30%
Quoted market price valuation including a premium for control	0.102	0.113	0.124

Source: BDO analysis

Therefore, our valuation of a Kinetiko share based on the quoted market price method and including a premium for control is between \$0.102 and \$0.124, with a preferred value of \$0.113.

10.3 Assessment of the value of a Kinetiko share prior to the Proposed Transaction

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Sum-of-Parts (Section 10.1)	0.006	0.028	0.196
QMP value including a control premium (Section 10.2)	0.102	0.113	0.124
Assessed value of a Kinetiko share on a control basis	0.006	0.028	0.196

Source: BDO analysis

The QMP value falls within our Sum-of-Parts value range and as such broadly supports that value. However, we have chosen to rely solely on the Sum-of-Parts for the purposes of determining our range for the following reasons:

- The core value of Kinetiko lies in its interest in Afro Energy which in turn, holds the Project. We have commissioned RISC, an independent technical specialist to value these gas assets held by Afro Energy; and
- As detailed in Section 10.2, based on the pre-announcement trading data, Kinetiko shares display a low level of liquidity. The QMP methodology relies on there being a liquid and active market for the company's shares, therefore it would not be appropriate to solely rely on the QMP methodology in forming our valuation range. Furthermore, a significant amount of time has elapsed since the 17 March 2022 announcement that our QMP valuation was based on, rendering this methodology less meaningful. We consider the QMP valuation of a Kinetiko share after March 2022 in our assessment of the value of a Kinetiko share following the Proposed Transaction as set out in Section 11.2 below.

We note that the range of values for Kinetiko derived under the Sum-of-Parts approach is both wider and generally spans a lower range compared to the results derived under the QMP approach. We consider that the reasons for this include:

- Our QMP assessment was performed over a period when trading in Kinetiko shares exhibited a low level of liquidity, therefore the Company's share price may not properly reflect the underlying value of the Company;
- At the low and preferred points of the valuation range, the market may have ascribed a higher value to Afro Energy's gas assets compared to the value attributed by RISC. This may be due to more optimistic assumptions such as assigning greater exploration and development potential to Afro Energy's gas assets compared to RISC. RISC has prepared its valuation in compliance with PRMS and other industry guidelines, whilst also adhering to guidance provided by ASIC's Regulatory Guides. Market participants are not governed by these industry codes and therefore may be basing their valuations on more optimistic assumptions than RISC is able to. As disclosed in the ITSR, RISC has based its valuation at the low and preferred points primarily based on historical and future expenditure (for the preferred value). Consequently, the valuation range assessed by RISC is generally lower compared to the QMP valuation range; and
- The wide range of the Sum-of-Parts valuation is driven by the wide valuation range assigned by RISC for the Project. Details of RISC's conclusion to adopt a wide valuation range are detailed in the ITSR but it was largely driven by a lack of comparable assets on which to make meaningful

valuation comparisons and reflects RISC's view that substantial further appraisal of contingent resources is required to identify the size of the commercially developable area and resources.

Based on the results above we consider the value of a Kinetiko share prior to the Proposed Transaction and on a control basis to be between \$0.006 and \$0.196, with a preferred value of \$0.028.

11. Valuation of Kinetiko following the Proposed Transaction

For the value of a Kinetiko share following the Proposed Transaction, we have also used the Sum-of-Parts methodology as our primary valuation methodology (Section 11.1). We have given consideration to the post-announcement QMP of Kinetiko (Section 11.2) and capital raisings announced by the Company on 20 April 2022 and the October 2022 Placement (Section 11.3) as cross-checks to our valuation.

11.1 Sum-of-Parts valuation of Kinetiko following the Proposed Transaction

In calculating the value of a Kinetiko share following the Proposed Transaction, we have aggregated:

- the value of the Company's 100% interest in Afro Energy following the Proposed Transaction (A in the table below); and
- the value of Kinetiko's other assets and liabilities following the Proposed Transaction (B in the table below).

We note that following the Proposed Transaction, any amounts owed by Afro Energy to Kinetiko will be consolidated into Kinetiko's accounts. The audited accounts of Afro Energy at 30 June 2022 disclose that it owed R28,006,005 in interest bearing loans and R44,204,124 in non-interest bearing loans to Kinetiko. These are collectively reflected on Kinetiko's balance sheet at the same balance date as:

- a loan receivable of \$660,738 (included as part of the receivables line item per Section 10.1.2); and
- within the investment in associate line item of \$6,648,687.

In calculating the Sum-of-Parts value of Kinetiko following the Proposed Transaction, we have not removed the value of these loans owed by Afro Energy to Kinetiko from our valuation of Afro Energy (A in the table below), nor have we removed the value of the receivable from our valuation of Kinetiko's other assets and liabilities (B in the table below) as the asset in one will be offset by the liability in the other when summing components A and B together.

This is summarised in the table and accompanying notes below.

Sum-of-Parts Valuation following the Proposed Transaction	Ref	Low value \$	Preferred value \$	High value \$
Value of a 100% interest in Afro Energy following the Proposed Transaction				
Value of a 100% interest in Afro Energy prior to the Proposed Transaction (control basis)	10.1.1	(2,108,069)	31,606,560	286,444,438
Add: Settlement of Badimo's debt in Afro Energy and payout of excess cash	a	1,371,615	1,371,615	1,371,615
Value of a 100% interest in Afro Energy following the Proposed Transaction (control basis) (A)		(736,455)	32,978,175	287,816,052
Value of Kinetiko's other assets and liabilities following the Proposed Transaction				
Value of Kinetiko's other assets and liabilities prior to the Proposed Transaction	10.1.2	5,300,492	5,300,492	5,300,492
Less: Debt owed by Mr Ncube settled via the Ncube Settlement	b	(900,001)	(900,001)	(900,001)
Value of Kinetiko's other assets and liabilities following the Proposed Transaction (control basis) (B)		4,400,491	4,400,491	4,400,491
Value of a Kinetiko share following the Proposed Transaction				
Sum of A and B above		3,664,037	37,378,666	292,216,544
Kinetiko Shares on issue following the Proposed Transaction	c	1,310,356,558	1,310,356,558	1,310,356,558
Value of a Kinetiko share following the Proposed Transaction (control basis)		\$0.003	\$0.029	\$0.223
Minority interest discount	d	23%	20%	17%
Value of a Kinetiko share following the Proposed Transaction (minority interest)		\$0.002	\$0.023	\$0.185

Source: BDO analysis

The table above indicates that, based on the 1,310,356,558 shares expected to be on issue following the Proposed Transaction (assuming a Transaction Capital Raising at \$0.015 per share), the Sum-of-Parts value of a Kinetiko share following the Proposed Transaction and on a minority interest basis is between \$0.002 and \$0.185 per share, with a preferred value of \$0.023.

We note that the Consideration Shares issued to the Badimo Shareholders will be subject to the Voluntary Escrow, which places restrictions on the transferability of these shares. We have not applied a discount to the above valuation as the transfer restrictions only affect the value of the Consideration Shares to the Badimo Shareholders, as opposed to the value of a Kinetiko share to Shareholders. We have considered the impact of the Voluntary Escrow in more detail in Section 13.4.1.

In arriving at our valuation, the following adjustments were made to show the impact of the Proposed Transaction on the Sum-of-Parts value of Kinetiko.

Note a) Settlement of Badimo's debt in Afro Energy and payout of excess cash

As part of the Proposed Transaction, Afro Energy's debt owed to Badimo will be settled and any excess cash in Afro Energy will be paid out to Badimo as part of the Share Buy-Back. Therefore, the value of a 100% interest in Afro Energy (previously shown in Section 10.1.1) needs to be increased to reflect the removal of the Badimo loans, and reduced for the payout of any excess cash. We have assumed all the existing cash on Afro Energy's balance sheet is considered excess cash.

Our calculations are set out in the table below with the ZAR amounts converted into AUD terms using the same exchange rate previously applied in Section 10. We note that this adjustment is consistent across the low, preferred and high values.

Settlement of Badimo's debt in Afro Energy and payout of excess cash	Currency	
Total loans owed to Badimo - see Section 10.1.1	ZAR	15,958,654
Less: cash and cash equivalents	ZAR	(10,892)
Net debt in Afro Energy (ZAR terms)	ZAR	15,947,762
<i>Divided by: AUD:ZAR exchange rate as at 3 October 2022 per Bloomberg</i>		<i>11.6270</i>
Net debt in Afro Energy (AUD terms)	AUD	1,371,615

Note b) Debt owed by Mr Ncube settled via the Ncube Settlement

As part of the Proposed Transaction, the \$900,001 owed by Mr Ncube to Kinetiko will be clawed back from his portion of Consideration Shares. As this is an asset of the Company, its settlement via the reduction in Kinetiko's share capital will lower the value of Kinetiko's other assets and liabilities.

Note c) Kinetiko shares on issue following the Proposed Transaction

Kinetiko will issue 597,704,812 Consideration Shares, but this will be reduced by the number of shares issued under the Transaction Capital Raising. Regardless of the results of the Transaction Capital Raising, the total number of Consideration Shares plus Transaction Capital Raising shares issued by Kinetiko in connection with the Proposed Transaction will be 597,704,812. In addition to the shares issued as part of the Proposed Transaction, a further 30 million shares will be deducted from the number of Consideration Shares being issued to Mr Ncube as part of the Ncube Settlement.

Because the total number of shares being issued by Kinetiko is fixed regardless of the Transaction Capital Raising results, and because the Ncube Settlement relates to a fixed 30 million shares, the number of Kinetiko shares on issue following the Proposed Transaction is the same across the low, preferred and high scenarios:

Kinetiko Shares on issue following the Proposed Transaction	Number
Number of shares on issue prior to the Proposed Transaction (see Section 10.1.3)	742,651,746
Add: Total shares issued as Consideration Shares and shares from the Transaction Capital Raising	597,704,812
Less: 30 million shares cancelled as part of the Ncube Settlement	(30,000,000)
Kinetiko Shares on issue following the Proposed Transaction	1,310,356,558

Note d) Minority interest discount

Following the Proposed Transaction, Shareholders will hold a minority interest in Kinetiko due to the dilutionary impact from the issue of the Consideration Shares. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company. The Sum-of-Parts price per share derived above reflects the value of a controlling interest in the Company. In order to value a Kinetiko share on a minority interest basis, we have applied a minority interest discount.

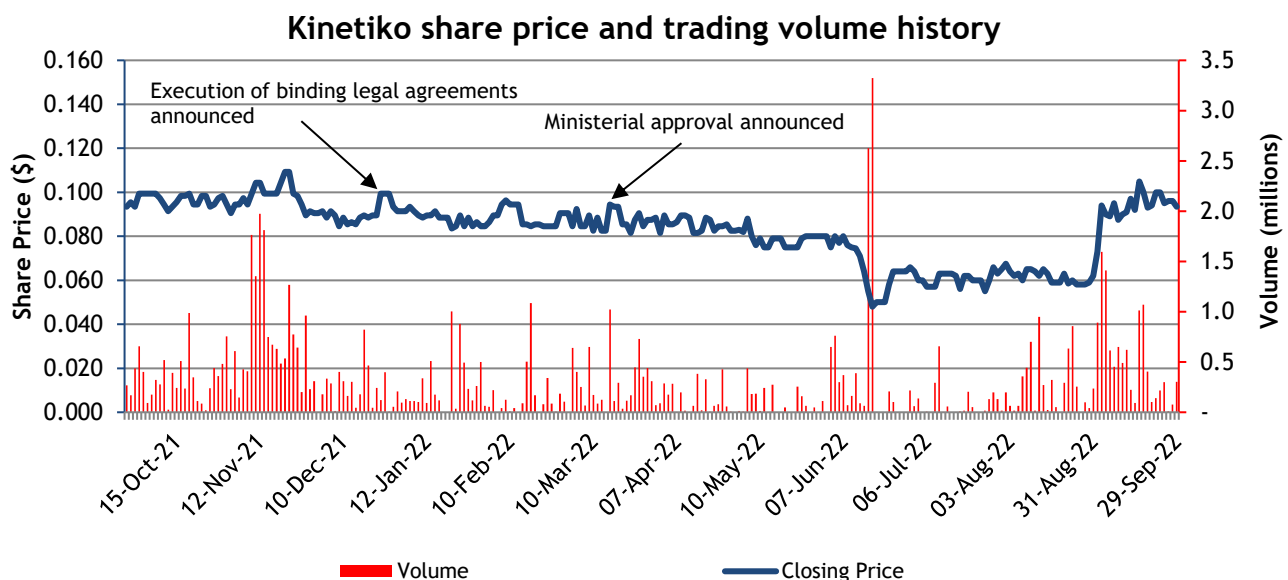
The minority interest discount is calculated from the control premiums previously identified in Section 10.2, using the formula $[1 - (1/(1+\text{Control Premium}))]$. Based on our control premiums selected, the minority discount (rounded to the nearest percentile) is in the range from 17% to 23%, with a preferred midpoint of 20%.

11.2 Post-announcement QMP analysis

As discussed in Section 10.2, Kinetiko first announced the Proposed Transaction on 7 May 2021. Following this on 24 December 2021, Kinetiko announced that binding legal agreements had been executed and on 17 March 2022, announced that South African approval had been obtained for the Proposed Transaction and it could proceed to seek approval from Shareholders.

In assessing the value of a Kinetiko share following the Proposed Transaction, we have also analysed movements in Kinetiko's share price for the twelve-month trading period preceding 29 September 2022, which is the most recent trading day before the Company entered into a voluntary trading halt relating to the October 2022 Placement. Although the Proposed Transaction has not completed, the time that has lapsed since the initial announcement coupled with the updates provided by the Company in relation to the Proposed Transaction, suggests that the recent trading price of a Kinetiko share may already incorporate at least some impact of the Proposed Transaction, hence its consideration in this section.

A graph of Kinetiko's share price and trading volume for twelve months to 29 September 2022 is set out below.



Source: Bloomberg

Although not captured in the chart above, we note an initial 31.8% appreciation in the Company's share price to \$0.144 following the announcement of the Proposed Transaction on 7 May 2021, which may have been indicative of early shareholder optimism in relation to the Proposed Transaction. However, over the subsequent months, this initial optimism appeared to dissipate. On 10 May 2021, being the first trading day following the announcement of the Proposed Transaction, the share price decreased by 10.3% to close at \$0.129, before proceeding to trade lower around the \$0.100 level over the subsequent seven-months as seen in the graph above.

Following the announcement of the execution of binding legal agreements on 24 December 2021, Kinetiko's shares closed unchanged at \$0.099 on the day, before declining 8.0% over the subsequent three trading days. On 17 March 2022, the Company announced South African ministerial approval of the Proposed Transaction. On the date of the announcement, the share price closed 1.1% lower before falling a further 8.5% over the subsequent three trading days.

In mid-June 2022, Kinetiko’s share price declined even further with the largest decrease in closing share price of 14.1% observed on 16 June 2022. This decline followed an announcement on 14 June 2022 relating to a progress update on gas flow rates from the Korhaan Well 3. We note that the share price recovered slightly over July and August of 2022, averaging \$0.061.

On 1 September 2022, Kinetiko released an investor presentation, which among other disclosures, reiterated the strategy and opportunities stemming from the Proposed Transaction. The market appeared to respond positively with Kinetiko shares appreciating 17.7% on the day of the announcement to close at \$0.073, and a further 28.8% on the subsequent trading day to close at \$0.094 (2 September 2022). We note Kinetiko’s closing share price averaged \$0.094 over the month of September 2022.

Based on this, we suggest that the recent share price performance of Kinetiko over the month of September 2022 reflects a return of optimism by Shareholders in relation to the Proposed Transaction. We also consider that the downward trend in Kinetiko’s share price over the period following the announcement to the end of August 2022 could be reflective of investor fatigue and scepticism due to the length of time the Proposed Transaction took to progress.

Given the above analysis, if the Proposed Transaction is not approved, it is likely that the Kinetiko share price may decline to pre-September levels.

To provide further analysis of the market prices for a Kinetiko share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 29 September 2022.

Share Price per unit	29-Sep-22	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.094				
Volume weighted average price (VWAP)		\$0.099	\$0.087	\$0.080	\$0.074

Source: Bloomberg, BDO analysis

Similar to Section 10.2, we have also performed an analysis of the trading volumes in Kinetiko shares for the twelve months to 29 September 2022. As the table below suggests, liquidity for trading in its shares continued to exhibit low levels, with less than 1% of the Company’s shares traded over the 10-day period:

Trading Days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.092	\$0.095	302,608	0.05%
10 Days	\$0.092	\$0.110	3,634,819	0.58%
30 Days	\$0.057	\$0.115	13,141,077	2.10%
60 Days	\$0.055	\$0.115	18,342,760	2.93%
90 Days	\$0.047	\$0.115	28,101,389	4.49%
180 Days	\$0.047	\$0.115	46,420,023	7.41%
1 Year	\$0.047	\$0.119	76,685,940	12.25%

Source: Bloomberg, BDO analysis

Notwithstanding the low liquidity levels, the analysis above suggests a post-announcement QMP value of a Kinetiko share in the range of \$0.090 to \$0.100 (on a minority interest basis). We consider this range to provide broad support for the range within the preferred to high value of a Kinetiko share following the Proposed Transaction derived in Section 11.1.

11.3 Capital raisings announced in April 2022 and October 2022

On 20 April 2022, Kinetiko announced the R10 million placement with Phefo Power for 30 million shares in the Company. These placement shares were issued on 17 June 2022 at an issue price of \$0.03 per Kinetiko share.

Despite the announcement of this placement occurring after the Proposed Transaction had been announced, we do not consider the placement price to reflect the fair value of a Kinetiko share following the Proposed Transaction because:

- The subscription price was negotiated in early 2020 and is subject to the IDC investment for the ADGSA Project as announced on 4 April 2022;
- Kinetiko considers it to be a strategic investment as it will bolster the Company's BEE certification and it may be able to leverage off Phefo Power's stakeholders who comprise South African oil and gas executives; and
- The shares issued are subject to voluntary escrow for a 12-month period from their date of issue.

In our opinion the Phefo Power placement price of \$0.03 per Kinetiko share likely incorporates a larger discount to Kinetiko's recent trading prices at the time of the announcement due to the factors above, compared to the price of the renounceable rights issue discussed below.

The partially underwritten \$3.10 million renounceable rights issue (also announced on 20 April 2022) is a more reliable indicator of the value of a Kinetiko share following the Proposed Transaction. Per the announcement, the issue price of \$0.075 represented a 15% to the Company's 30-day VWAP of \$0.088, which we consider to be a reasonable discount for entitlement offers of a similar size for similar companies. As at 6 June 2022, a total of 27,333,322 shares were issued pursuant to this rights issue, raising approximately \$2.05 million (before costs). This represents about 65% of the targeted \$3.10 million capital raise. We note that in September 2022, a sophisticated investor applied for 2 million of the shortfall shares and these were subsequently issued on 13 September 2022.

Finally, in October 2022, Kinetiko announced the October 2022 Placement to raise approximately \$5 million (before costs) at an issue price of \$0.09 per Kinetiko share. This was a larger and more recent placement than those announced in April 2022 and therefore represents a better indicator of the value of a Kinetiko share following the Proposed Transaction compared to the prior capital raisings. However, as it is still relatively small compared to the size of the Company (representing about 8% of the pre-October 2022 Placement issued capital), we have only considered it as a cross-check to our primary valuation methodology.

11.4 Assessment of the value of a Kinetiko share following the Proposed Transaction

The results of the valuations performed are summarised in the table below. We note the values are all reflective of a minority interest in the Company:

Value of a Kinetiko share following the Proposed Transaction	Low \$	Preferred \$	High \$
Sum-of-Parts including a minority discount (Section 11.1)	0.002	0.023	0.185
Post-announcement pricing analysis (Section 11.2)	0.055	0.060	0.065
Capital raisings announced in April 2022 and October 2022 (Section 11.3)	0.090	0.090	0.090

Source: BDO analysis

We have chosen to rely solely on the Sum-of-Parts for the purposes of determining our range for the following reasons:

- The Sum-of-Parts value following the Proposed Transaction incorporates the independent technical specialist's valuation of the Project, which forms the largest part of Kinetiko's value following the Proposed Transaction;
- Liquidity of Kinetiko's shares continued to be low during the post announcement analysis period rendering it a less reliable valuation methodology; and
- The capital raisings announced on 20 April 2022 and the October 2022 Placement has been used only as a broad cross-check of the value. The April 2022 Phefo Power placement was completed for strategic purposes based on a value agreed upon in 2020, while the renounceable rights issue was for only a relatively small amount (in addition, only 65% of the targeted raise was initially achieved). Meanwhile the October 2022 Placement, although more recent and larger in size, was still for a relatively small amount.

Based on the results above we consider the value of a Kinetiko share following the Proposed Transaction and on a minority basis to be between \$0.002 and \$0.185, with a preferred value of \$0.023.

12. Is the Proposed Transaction fair?

The value of a Kinetiko share prior to the Proposed Transaction on a controlling interest basis and the value of a Kinetiko share following the Proposed Transaction on a minority interest basis is compared below:

	Ref	Low \$	Preferred \$	High \$
Value of a Kinetiko share prior to the Proposed Transaction (control basis)	10.3	0.006	0.028	0.196
Value of a Kinetiko share following the Proposed Transaction (minority basis)	11.4	0.002	0.023	0.185

We note from the table above that although there is significant overlap between the two valuation ranges, the low, preferred and high points of the value of a Kinetiko share following the Proposed Transaction (minority basis) are lower than their equivalents for Kinetiko's value per share range prior to the Proposed Transaction (control basis). Further, we note that the value of the Project does not change as a consequence of approving the transaction. Therefore, we consider that the Proposed Transaction is not fair.

13. Is the Proposed Transaction reasonable?

13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Kinetiko a premium over the value resulting from the Proposed Transaction.

13.2 Practical Level of Control

As set out in Section 4, if the Proposed Transaction is approved then Mr Donald Ncube will hold a voting interest of up to approximately 20.03% in Kinetiko following the Proposed Transaction. In addition to this, Kinetiko will have two Board members nominated by Badimo, Mr Donald Ncube and Mr Robert Bulder. For the purpose of this analysis, we have excluded the impact of his deemed relevant interest arising from technical provisions of the Act which would increase this to 47.60%, on the basis that the escrow restrictions do not apply to the power to vote.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Proposed Transaction is approved, Mr Ncube's interest in Kinetiko will not be sufficient for him to block special nor general resolutions. However he will become Kinetiko's largest shareholder.

Kinetiko's Board currently comprises three directors. As part of the Proposed Transaction, two additional directors, Mr Donald Ncube and Mr Robert Bulder, will be appointed to the Board as Non-Executive

Directors, which will take Kinetiko's Board to five directors and Mr Geoffrey Michael will resign as a Director with effect from completion of the Proposed Transaction. This means that Badimo nominated directors will make up 50% of the Board.

Mr Ncube's control of Kinetiko following the Proposed Transaction will be significant when compared to all other shareholders. Mr Ncube will be able to influence the operations of the Company by virtue of his position on the Board of Kinetiko and his substantial shareholding interest in the Company. However we note that the Board will still comprise primarily of existing directors. Therefore, in our opinion, while Mr Ncube will be able to significantly influence the activities of Kinetiko, he will not be able to exercise a similar level of control as if it held 100% of the Company.

13.3 Consequences of not Approving the Proposed Transaction

Delayed development of the Project

If the Proposed Transaction is not approved, the existing JV structure and agreement between Badimo and Kinetiko will continue to govern Afro Gas' operations. This could mean that the development of the Project will continue to be slow, as reflected by the failure of the Project to achieve commercial production since the existing JV was formed in 2015 and disputes between the parties may continue to arise as has occurred in the past (see Section 5.1).

13.4 Other considerations

13.4.1 Impact of Voluntary Escrow

The Voluntary Escrow will prevent the Badimo Shareholders from selling any of the Consideration Shares, until a period of between 12 and 27 months from their issue. The Voluntary Escrow shall not apply in the case of a takeover offer under Chapter 6 of the Act where holders of at least 50% of the issued capital of the Company (excluding shares under the Voluntary Escrow) have accepted, or, if the securities are subject to a scheme of arrangement under Part 5.1 of the Act. We note that the escrow restrictions are not dissimilar to the permitted terms that ASIC may consider providing relief for when considering escrow arrangements, as outlined in Regulatory Guide 5 'Relevant interests and substantial holding notices'. We note that the escrow will reduce the free float of the Company, relative to the total number of shares on issue following the Proposed Transaction, but not materially impact the absolute number of shares available to be traded.

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities which are the subject of the offer. The Voluntary Escrow is fair to Shareholders as it does not impact the value of a Kinetiko share to Shareholders, although the restrictions may reduce the value of the Consideration Shares to the Badimo Shareholders for the duration of the Voluntary Escrow. The restrictions also are reasonable and benefit the Shareholders as it mitigates the risk of large shareholders selling shares (for the duration of the Voluntary Escrow) which may have the effect of reducing the share price of a Kinetiko share following the Proposed Transaction.

13.4.2 Value uplift for shareholders

As guided by RG 111, our fairness assessment has been conducted on a controlling interest basis prior to the Proposed Transaction and a minority interest basis following the Proposed Transaction. As a result, a

minority interest discount is applied to the value of a Kinetiko share following the Proposed Transaction (see Section 11.1).

If we were to compare the value of a Kinetiko share on a control basis both prior to and following the Proposed Transaction, the Proposed Transaction is value accretive under the preferred and high valuations as outlined below:

	Low \$	Preferred \$	High \$
Value of a Kinetiko share prior to the Proposed Transaction (control basis)	0.006	0.028	0.196
Value of a Kinetiko share following the Proposed Transaction (control basis)	0.003	0.029	0.223

Source: BDO analysis

As shown in the table above, the Proposed Transaction is not value accretive at the low end based on this assessment. However, the preferred and high valuation points are both higher following the Proposed Transaction based on this assessment, suggesting that at these valuation points, the Proposed Transaction is value accretive.

This also indicates that whilst Mr Ncube is paying a premium for control of Kinetiko, it is not the full control premium that we have assessed an acquirer should pay. Our assessment of a control premium is detailed in Section 10.2 and is based on historical premiums paid by ASX-listed companies.

13.5 Advantages of Approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable.

Advantage	Description
The Proposed Transaction increases Kinetiko's exposure to the Project	The Proposed Transaction, if approved, will result in the Company increasing its interest in the Project from 49% currently to 100%. This means that Shareholders will have greater exposure to the Project and benefit more from any potential upside should it be successfully developed. Given that the Project is currently Kinetiko's primary focus and Shareholders in the Company are already exposed to its risks, the Proposed Transaction increases Kinetiko's exposure to the Project while retaining the same risks.
Alignment of interest via single board and management team to reduce inefficiencies and streamline development of the Project	Since 2015 when Kinetiko and Badimo formed the Afro Energy JV, the Project has yet to achieve commercial production with disputes between the JV partners contributing to the Project's slow development (examples of these are detailed in Section 5.1). This suggests that the current JV structure has not been supportive towards the Project's development.

Advantage	Description
	<p>Following the Proposed Transaction however, the Project will be held under one company, governed by a single board and management team. As a substantial shareholder in Kinetiko, the Badimo Shareholders will also be aligned with existing Shareholders' following the Proposed Transaction. These factors potentially better align the interest of both Kinetiko and the Badimo Shareholders and result in a clearer pathway to the development of the Project into commercial production. Successful development of the Project into commercial production could also lead to a re-rating of the asset which may increase the chance of a successful asset sale in the future, should Kinetiko decide to explore that avenue.</p>
<p>Enlarged entity with simplified structure may improve access to capital for development of the Project</p>	<p>Following the Proposed Transaction, Kinetiko will wholly own the Project and therefore experience a step change in its size (along with an increase in the number of shares on issue). Combined with the simplified ownership structure of the Project, these factors could result in increased analyst coverage and better liquidity, thereby increasing the attractiveness of Kinetiko's shares and improving its ability to raise equity capital from the equity market and debt capital from financial institutions.</p>
<p>Consideration under the Proposed Transaction is in the form of shares as opposed to cash</p>	<p>As the consideration for the remaining 51% interest in Afro Energy is payable in the form of the Consideration Shares instead of cash, Kinetiko will not have to raise cash from its shareholders or take on debt (which could increase default risks for Shareholders) specifically to fund the Proposed Transaction. The Company's existing cash reserves can be conserved for developing the Project and for other working capital purposes.</p>

13.6 Disadvantages of Approving the Proposed Transaction

If the Proposed Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
<p>Dilution of Shareholders' interests</p>	<p>If the Proposed Transaction is approved, Kinetiko will issue up to 597,704,812 Consideration Shares to the Badimo Shareholders. Once adjusted for the pro-rata reduction in Consideration Shares as a result of the Transaction Capital Raising and the Ncube Settlement, new and existing Shareholders' interests will be diluted from holding 100% of the Company prior to the Proposed Transaction to holding as low as</p>

Disadvantage	Description
	59.98% following the Proposed Transaction. Further details are set out in Section 4 of the Report.
Kinetiko will have to bear the full costs to develop the Project	As Kinetiko will have 100% ownership of the Project following the Proposed Transaction, any funding requirements of the Project will need to be sourced solely by the Company. Prior to the Proposed Transaction the funds required to develop the Project would be borne between the Company and Badimo.

14. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is not fair because although there is significant overlap between the two valuation ranges, the low, preferred and high points of the value of a Kinetiko share following the Proposed Transaction (minority basis) are lower than their equivalents for Kinetiko's value per share range prior to the Proposed Transaction (control basis), while the value of the Project does not change as a consequence of approving the transaction.

However, we consider the Proposed Transaction to be reasonable because the advantages of the Proposed Transaction to Shareholders are greater than the disadvantages. In particular, the Proposed Transaction would unify and simplify the structure and management of the Project, which in turn may assist with its development into commercialisation, thereby allowing Shareholders to better realise the value of the Project.

We have also considered the terms of the Voluntary Escrow as outlined in the body of this report and consider it to be fair as the restrictions on transferability only apply to the Consideration Shares and not to the Kinetiko shares held by Shareholders, and therefore it has no impact to the value of their shares. Further, the Voluntary Escrow is considered reasonable as it has been assessed as fair and a benefit to Shareholders as it mitigates the risk of large shareholders selling shares (for the duration of the escrow), which may have a negative impact on the share price of Kinetiko following the Proposed Transaction.

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Kinetiko for the financial years ended 30 June 2022, 30 June 2021 and 2020;
- Audited financial statements of Afro Energy for the financial years ended 30 June 2022, 30 June 2021 and 30 June 2020;
- Unaudited management accounts of Kinetiko for September 2022;
- Bank statements of Kinetiko and Afro Energy to support the reported balance at 30 September 2022 per the unaudited management accounts;

- Independent Technical Specialist Report of Afro Energy's gas assets dated 7 October 2022 performed by RISC Advisory Pty Ltd;
- Binding Terms Sheet between Badimo, the shareholders of Badimo and Kinetiko dated 4 May 2021;
- Restructure Deed between Badimo, Kinetiko, Afro Energy and the shareholders of Badimo dated 23 December 2021 and letter of variation to the Restructure Deed dated 21 September 2022;
- Voluntary Escrow agreements;
- Ncube Settlement agreement;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Kinetiko.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$38,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Kinetiko in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Company, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Kinetiko and Badimo and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Kinetiko and Badimo and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Kinetiko, or their associates, other than in connection with the preparation of this report.

BDO Audit and Assurance (WA) Pty Ltd is the appointed auditor of Kinetiko. BDO South Africa Incorporated is also the appointed auditor of Afro Energy from its financial year ended 28 February 2019 and beyond. The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of Kinetiko.

A draft of this report was provided to Kinetiko and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 400 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

Adam Myers is a member of Chartered Accountants Australia & New Zealand and the Joint Ore Reserves Committee. Adam's career spans over 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Kinetiko for inclusion in the Notice of Meeting which will be sent to all Kinetiko Shareholders. Kinetiko engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposed acquisition of the 51% stake in Afro Energy it does not already hold and the Voluntary Escrow arrangements in connection with the Proposed Transaction.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Kinetiko. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Kinetiko, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Kinetiko.

The valuer engaged for the mineral asset valuation, RISC, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes

Director



Adam Myers

Director

Appendix 1 - Glossary of Terms

Reference	Definition
\$ or AUD	Australian Dollars
AFCA	Australian Financial Complaints Authority Limited
Afro Energy	Afro Energy (Pty) Ltd
AGDSA Project	Afro Gas Development SA (Pty) Ltd, a special purpose vehicle formed as the joint venture entity between the IDC and Afro Energy
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Badimo	Badimo Gas (Pty) Ltd
BDO	BDO Corporate Finance (WA) Pty Ltd
BEE	Black Economic Empowerment
CBM	Coal bed methane
Consideration Shares	Consideration for the acquisition under the Proposed Transaction being up to 597,704,812 shares in Kinetiko
Corporations Act	The Corporations Act 2001 Cth
DCF	Discounted future cash flows
DISER	Australian Government's Department of Industry, Science, Energy and Resources
DMRE	South Africa's Department of Mineral Resources and Energy
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ERs	Exploration Rights
FME	Capitalisation of future maintainable earnings
FSG	Financial Services Guide
IDC	Industrial Development Corporation of South Africa
Item 7 s611	Item 7 of Section 611 of the Corporations Act
ITSR	Independent Technical Specialist Report
JDA	Joint development agreement
JV	Joint venture

Reference	Definition
Kinetiko	Kinetiko Energy Limited
LNG	Liquefied Natural Gas
MPC	Monetary Policy Committee of the South African Reserve Bank
Mpumalanga Project	The Mpumalanga Gas Project owned by Afro Energy and located in the Mpumalanga province in South Africa
NAV	Net asset value
Ncube Settlement	As part of the Proposed Transaction, Kinetiko will claw-back from Mr Ncube 30 million of his Consideration Shares to settle the \$900,001 worth of debt, which is currently recorded as an asset on the Company's balance sheet
Our Report	This Independent Expert's Report prepared by BDO
October 2022 Placement	The approximately \$5 million capital raising (before costs) at \$0.09 per Kinetiko share announced in October 2022 to raise funds for its exploration program and contribute to joint venture obligations pursuant to its JDA with IDC
Phefo Power	Phefo Power (Pty) Ltd
PRMS	Petroleum Resources Management System
QMP	Quoted market price
R or ZAR	South African Rand
Restructure Deed	On 23 December 2021, Kinetiko, Badimo and the Badimo Shareholders entered into a Restructure Deed whereby Badimo agreed to transfer 51 shares in Afro Energy to the Company in consideration for the Company issuing 597,704,812 Consideration Shares to the Badimo Shareholders (prior to any pro-rata reduction from the Transaction Capital Raising and the Ncube Settlement). The Restructure Deed was subsequently varied by a letter of variation dated 21 September 2022.
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RG 74	Acquisitions approved by Members (December 2011)
RISC	RISC Advisory Pty Ltd
SARB	South African Reserve Bank
Section 606	Section 606 of the Corporations Act
Share Buy-Back	Buy-back and subsequent cancellation of Badimo's remaining 51 shares in Afro Energy after the Afro Energy Subscription
Shareholders	Shareholders of Kinetiko not associated with the Badimo Shareholders
SSA	The Sub-Saharan Africa region

Reference	Definition
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
Tcf	Trillion cubic feet
The Act	The Corporations Act 2001 Cth
The Afro Energy Subscription	Subscription of 922 new Afro Energy shares by Kinetiko following the Transaction Capital Raising
The Company	Kinetiko Energy Limited
The Transaction Capital Raising	The issue of new Kinetiko shares to professional and sophisticated investors to the value of \$6,500,000 at a price of no greater than \$0.075 per Kinetiko share
The Project	The Mpumalanga Gas Project owned by Afro Energy and located in the Mpumalanga province in South Africa
The Proposed Transaction	The acquisition of the remaining 51% of Afro Energy from Badimo that Kinetiko does not already own
The Badimo Shareholders	Badimo's shareholders
VALMIN Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
Voluntary Escrow	The Badimo Shareholders have voluntarily agreed to place the Consideration Shares they receive in escrow, thereby restricting the disposal of their holdings in the Company.
Vutomi	Vutomi Energy (Pty) Ltd
VWAP	Volume Weighted Average Price
we, us or ours	BDO Corporate Finance (WA) Pty Ltd

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Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 - Independent Technical Specialist Report by RISC



decisions with confidence

Independent Technical Specialist Report

On certain assets of Kinetiko Energy Ltd

For BDO Corporate Finance (WA) Ltd
on behalf of Kinetiko Energy Ltd

October 2022

Private and Confidential

Mr Paul Doropoulos
Executive Consultant
Kinetiko Energy Ltd
283 Rokeby Road,
Subiaco, Perth, 6008
Western Australia

Sherif Andrawes
Director
BDO Corporate Finance (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, 6000
Western Australia

7 October 2022

Dear Sirs,

Independent Technical Specialist Report – Kinetiko Energy Ltd.

Kinetiko Energy Ltd ('Kinetiko') has engaged BDO Corporate Finance (WA) Ltd ('BDO') to prepare an Independent Expert Report ('IER') for inclusion within a Notice of Meeting to be provided to the shareholders of the company.

The shareholders are being asked to approve the acquisition of the remaining 51% of Afro Energy (Pty) Ltd ('Afro Energy') that it does not already own from Badimo Gas (Pty) Ltd ('Badimo') in exchange for shares in Kinetiko. Afro Energy is the joint venture company jointly owned by Badimo and Kinetiko which holds 100% interest in the Mpumalanga Gas Project and associated exploration rights in South Africa.

As per the instruction letter received from BDO dated 11 April 2022, RISC Advisory Pty Ltd ('RISC') was to provide an independent opinion on the market valuation of Amersfoort and adjacent exploration rights held by Afro Energy.

RISC has completed our independent technical assessment and valuation and our work is documented in this Independent Technical Specialist Report ('ITSR').

Independence

RISC confirms that it is independent of Kinetiko, Badimo and Afro Energy and that RISC is unaware of any circumstance which may compromise that independence.

Consent

RISC has consented to this report, in the form and context in which it appears, being included, in its entirety, in the Notice of Meeting.

1. Executive summary

Kinetiko Energy Ltd. ('Kinetiko') holds a 49% working interest in the joint venture company Afro Energy (Pty) Ltd ('Afro Energy'), the operator of the Mpumalanga Gas Project in South Africa. Kinetiko is acquiring the remaining 51% of Afro Energy from Badimo Gas (Pty) Ltd ('Badimo'). The arrangement has received the required regulatory approvals from the Department of Minerals, Resources and Energy ('DMRE'), the South African Reserve Bank and South African Revenue Services. RISC understands that completion of the arrangement requires the approval of the shareholders of Kinetiko and this report has been requested as part of this process.

The Mpumalanga Gas Project ('Mpumalanga' or 'MGP') comprises a number of Exploration Rights ('ER's) in which Afro Energy is evaluating opportunities for further appraisal and development for gas production. The Amersfoort and Volksrust areas, in the north and south of ER271 of the Mpumalanga area have been demonstrated to contain gas within sandstone reservoirs and coals. Afro Energy is considering development of the gas contained in the sandstones in these areas in the first instance, with further exploration and appraisal to be undertaken in other areas.

A number of resource assessments and valuations have been performed in the past for Afro Energy, Badimo and Kinetiko. The most recent resource assessment by Gustavson Associates ('Gustavson') in 2020¹ attributes a significant quantity of contingent resources to coal seam gas ('CSG') in five permits and smaller quantities within conventional sandstone reservoirs in two permits² (ER56 and ER38) and prospective resources in three permits (ER270, ER271 and ER272).

RISC has reviewed the contingent resource estimates of Gustavson in accordance with the Society of Petroleum Engineers' internationally recognised Petroleum Resources Management System ('PRMS')³. RISC notes that no separate tests have been conducted on the coals in any permit and therefore cannot support the classification as a contingent resource. The contingent resource assessment of the sandstone reservoirs in ER56 and ER38 is poorly documented and not auditable. A valuation report of the resources in ER56 by consulting engineer Michael S. Ratway⁴ ('Ratway') in 2019 estimated a contingent resource in the sandstone reservoirs much larger than Gustavson and also concluded that the CSG resource should be classified as a prospective resource. Kinetiko is considering development of the gas in the sandstone reservoirs, not the CSG, and RISC has therefore only considered the contingent resources within the sandstone reservoirs when evaluating the performance metrics.

For the assets under consideration, RISC has considered a number of valuation methodologies commonly used for assets in the exploration/appraisal stage, these include analogous transactions, performance metrics and historical and future costs. RISC also considered discounted cash flow ('DCF') but considered that there are too many unsupportable assumptions required to have confidence in the outcome. For a project

¹ Gustavson Associates, 2020, Resource Evaluation Report, Five License Blocks, Amersfoort, South Africa (2020). Prepared on behalf of Kinetiko Energy Ltd.

² Since 3Q2022 ER56 and ER38 have now been consolidated into ER271, however, the terms have been used in this report when referencing historical reports which used these terms. The Amersfoort area is largely within ER56, with the Volksrust area in ER38.

³ Petroleum Resources Management System, prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the American Association of Petroleum Geologists (AAPG), World Petroleum Council (WPC), Society of Petroleum Evaluation Engineers (SPEE), Society of Exploration Geophysicists (SEG) and approved by the Board of the SPE in March 2007. The PRMS was subsequently updated in June 2018.

⁴ Ratway, M. 2019, Contingent Resource Valuation Report, Amersfoort Project, Exploration Right 56, Mpumalanga Province, South Africa. Prepared on behalf of Badimo Gas.

in this early stage of appraisal and development we do not consider the DCF method suitable due to the number of assumptions that need to be made and the uncertainties in the parameters values.

With regard to valuation methods, we note that there are few gas developments onshore in southern Africa, and those that do exist often have different characteristics and metrics. As a result, there are few projects with which to make meaningful valuation comparisons (Table 1-1).

Table 1-1: Characteristics of the MGP and other projects

Metric	Kinetiko	Renergen	Tlou
Hydrocarbon type	Gas	Gas	Gas
Other products	None	Helium	Solar, hydrogen
Reservoir type	Conventional, compartmentalised	Fractured	Coal
Status	Appraisal	Under development	Under development
Reserves	No	Yes	Yes
Contingent resources	Yes	Yes	Yes

Based on the available data RISC estimates that the value of Kinetiko’s 49% share in Afro Energy and the Mpumalanga Gas Project lies in the range A\$2.8 million to A\$150 million, with a best estimate of A\$20 million (Table 1-2).

Table 1-2: Kinetiko valuation summary

	Valuation (A\$ million)		
	Low	Best	High
Net Kinetiko	2.8	20	150

The wide range in the valuation reflects that substantial further appraisal of contingent resources is required to identify the size of the commercially developable area and resources. Any development could range from tens to thousands of gas wells.

Further exploration and appraisal is required to determine if CSG can contribute to production from conventional sandstones.

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2. Introduction

2.1. Asset description

Afro Energy (Pty) Ltd ('Afro Energy') was incorporated as a joint venture in 2015 by Badimo Gas (Pty) Ltd ('Badimo'), a South African domiciled company as majority owner (51%) and Kinetiko Energy Ltd ('Kinetiko'), an Australian domiciled company (the remaining 49%) in order to explore, develop, and market gas from several Exploration Rights and Technical Corporation Permits in the Amersfoort and adjacent Volksrust areas of the Karoo Basin, South Africa.

Kinetiko is in the process of acquiring Badimo's interest for a consideration of Kinetiko's shares and that the acquisition has the approval of Badimo and Petroleum Agency South Africa ('PASA').

Figure 2-1 illustrates the location of the Afro Energy assets in South Africa.

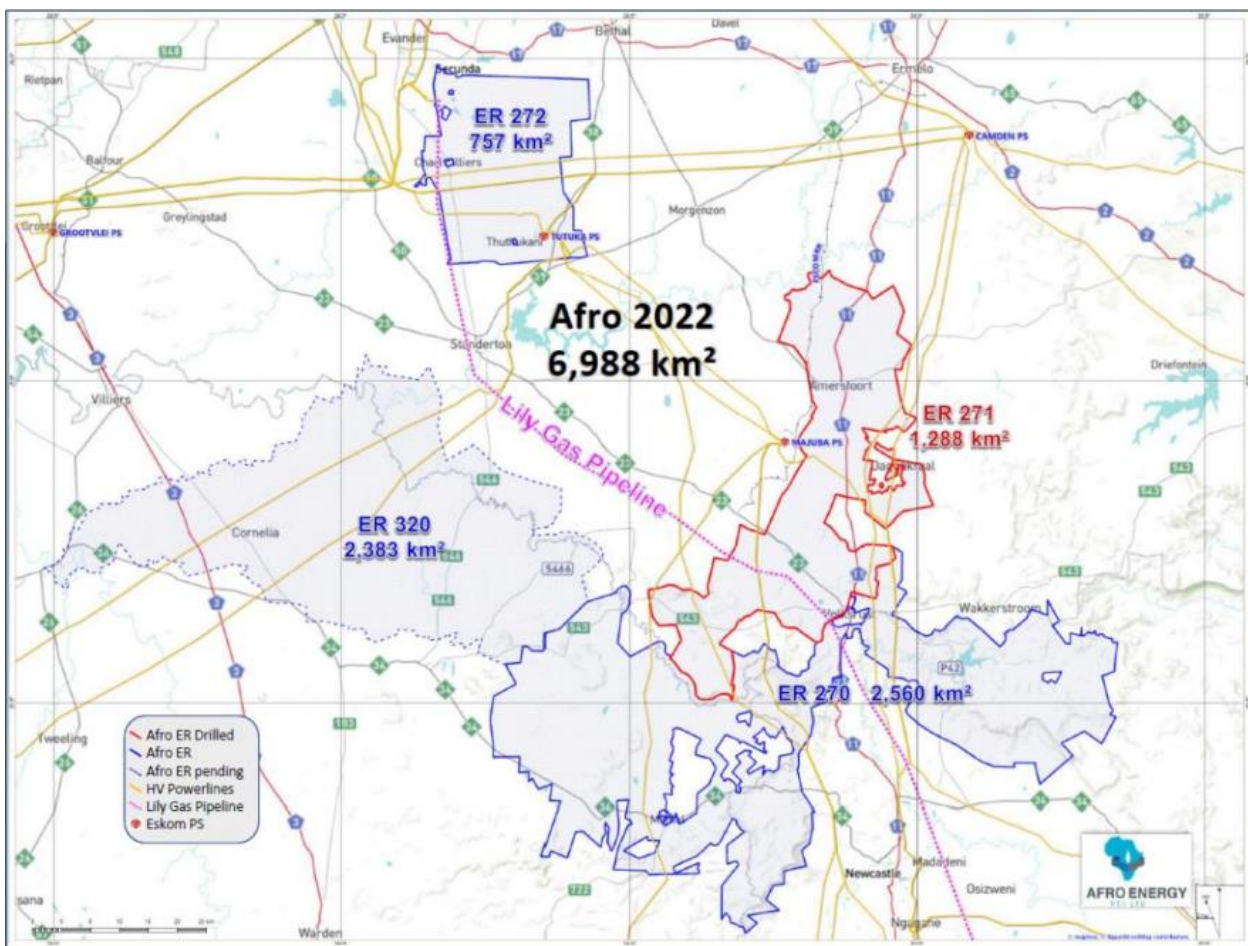


Figure 2-1: Location map, Afro Energy permits

The figure shows ER271 as comprising 1,288 km². This represents the area of ER271 following the recent combination of the former ER38, ER56 and ER271 into a redefined ER271 as approved by PASA.

We note that existing reports such as the Gustavson resource report of 2020 pre-date this amalgamation and refer to ER56, ER38 and the prior area of ER271, for reference these are identified in Figure 2-2. The pink

shaded areas have been recently relinquished, while the areas outlined in purple were previously relinquished.

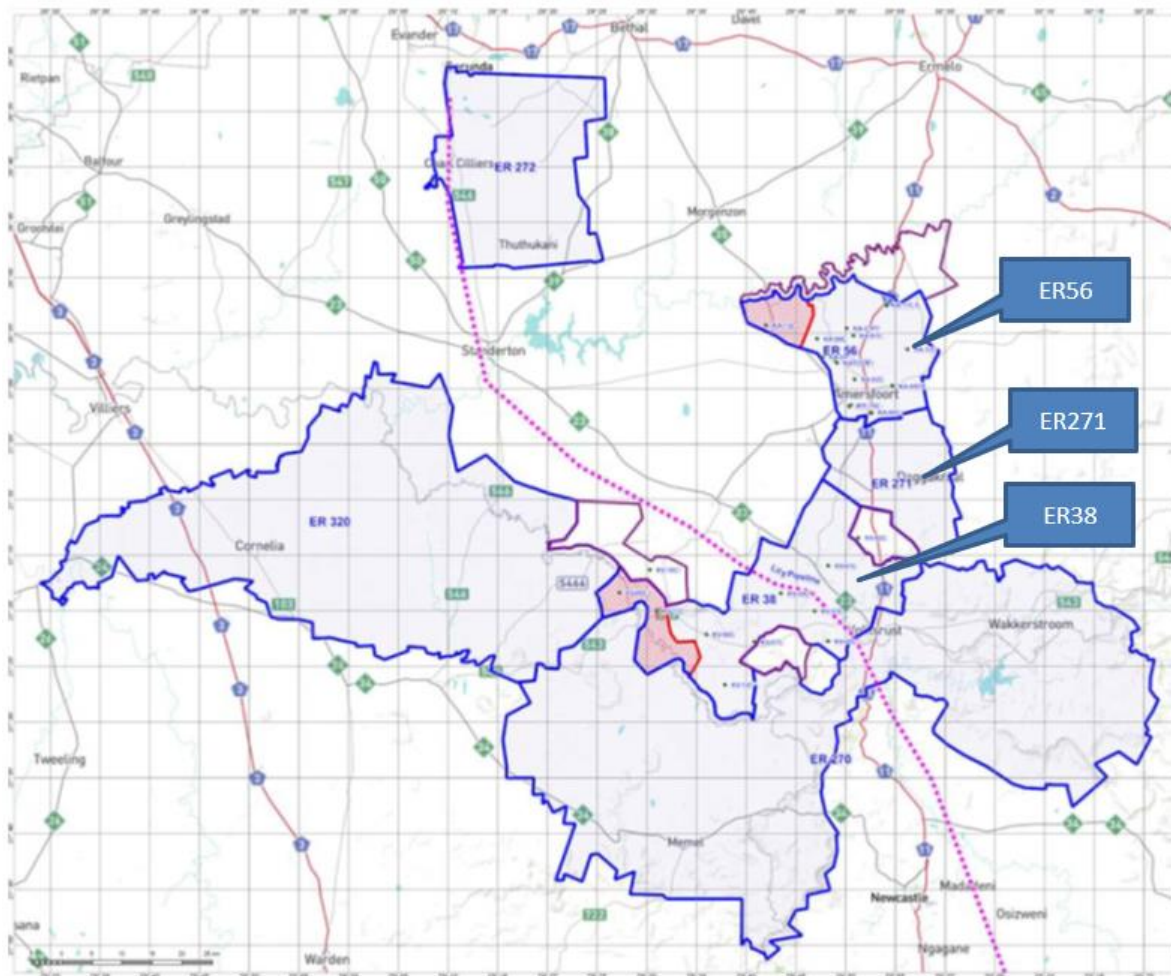


Figure 2-2: Afro Energy permits identifying the location of the former permits ER38, ER56 and ER271

Table 2-1 identifies the assets of Kinetiko’s Afro Energy subsidiary.

Table 2-1: Afro Energy asset summary as at June 2022

Country	Asset		Afro Energy Working Interest	Status	Licence expiry date ⁵	Licence area (km ²)	Comments
	Block	Operator					
South Africa	ER270	Afro Energy	100%	Appraisal	2 Sept. 2022	2,560	
	ER271	Afro Energy	100%	Appraisal	20 Aug. 2022	1,288	Now includes ER38 and ER56
	ER272	Afro Energy	100%	Appraisal	20 Aug. 2022	757	
	ER320	Afro Energy	100%	Exploration	-	2,394	Application

⁵ Renewal applications have been submitted for ER270, ER271 and ER272 and are under process for approval.

Revenues stemming from any petroleum production from the exploration rights or any derivative license will attract South African state taxes, duties and a Mining and Petroleum Resource Royalty ('MPRR') which is variable and calculated based on profitability. The rate is between 0.5% and 7% and RISC have assumed a 5% royalty is applicable in this instance.

2.2. Arrangement considerations

The terms of the arrangement between Kinetiko and Badimo were announced in late 2021⁶. In summary, the terms of the agreement were that:

- Kinetiko will issue approximately 598 million shares ("Consideration Shares") to Badimo as total consideration for the Acquisition.
- Since the inception of Afro Energy, Kinetiko has been paying the majority of the exploration costs incurred by Afro Energy. As a result, Kinetiko has loan amounts owing to it which will be satisfied through the reduction of the Consideration Shares being issued. On or before completion of the merger Kinetiko shall facilitate the sale of \$6.5m of Consideration Shares to third party investors at a 30-day VWAP discount to the Kinetiko share price.
- With effect from Completion of the merger, Badimo will have the right to nominate two directors to the board of Kinetiko.
- Completion of the Acquisition is conditional upon the satisfaction (or waiver) of the following conditions precedent (Conditions Precedent):
 - Ownership of Exploration Rights: Kinetiko confirming in writing that it is satisfied that Afro Energy is the 100% sole registered legal and beneficial holder of each of the exploration rights comprising the Amersfoort Project.
 - Ministerial consent: To the extent required by South African law, the unconditional written consent to the transfer of the Afro Energy shares by Badimo to Kinetiko.
 - Additional Regulatory Approvals: South African Reserve Bank where applicable, Competition Commission where applicable and South African Revenue Service approval for the transaction.
 - Kinetiko shareholder approval.

RISC's understanding of the pre- and post-transaction interests is illustrated below in Figure 2-3.

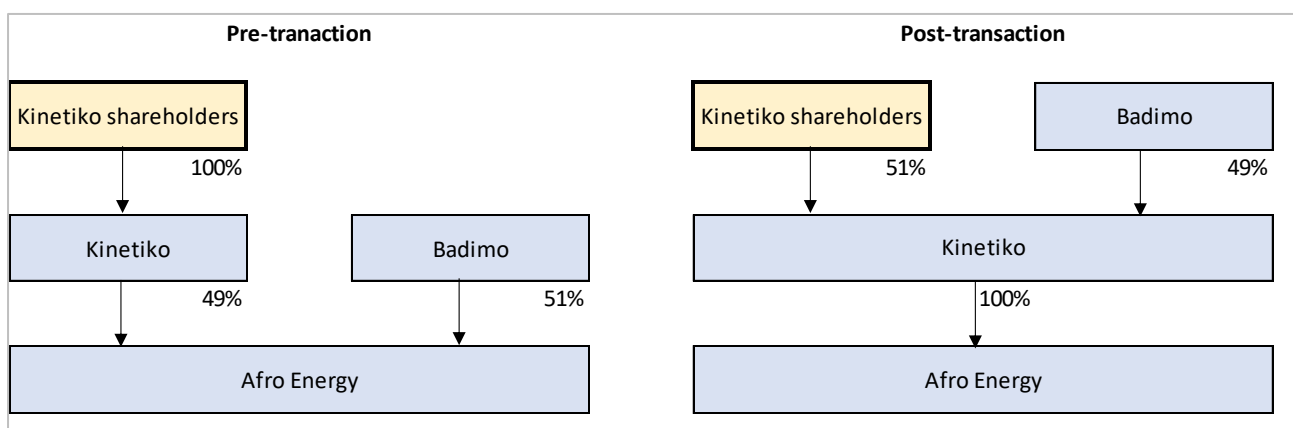


Figure 2-3: Pre and post-transaction interests

⁶ Kinetiko ASX release: Kinetiko executes binding agreements to acquire 100% of Afro Energy, 24 December 2021

2.3. Terms of reference

BDO Corporate Finance (WA) Pty Ltd ('BDO') has been engaged by Kinetiko to prepare an Independent Experts Report ('IER') for inclusion in a Notice of Meeting seeking shareholder approval for Kinetiko's proposed acquisition of Badimo's 51% share of Afro Energy. RISC has been engaged to prepare Independent Technical Specialist's Report ('ITSR') which will form part of BDO's IER.

In addition, RISC was requested to prepare an independent opinion on the market valuation ('Value') of the Mpumalanga (Amersfoort) Gas Project and associated exploration rights.

RISC has been engaged by Kinetiko but acts under instruction from BDO in this matter. As per the instruction from BDO, the ITSR is compliant with the Australian Securities and Investments Commission ('ASIC') Regulatory Guides 111 and 112 and includes consent for the report to be included in a Notice of Meeting and for RISC to be named as technical specialist/expert in accordance with ASX listing rule 5.41.

2.4. Basis of assessment

The data and information used in the preparation of this report were provided by Kinetiko and supplemented by public domain information. RISC has reviewed the information provided and has undertaken the evaluation on the basis of a review and audit of existing interpretations and assessments as supplied, making adjustments that in our judgment were necessary.

Our assessment for the assets is based on data to 1 June 2022 and this is the reference date of this report.

RISC has reviewed the reserves and resources in accordance with the Society of Petroleum Engineers internationally recognised Petroleum Resources Management System ('PRMS'), 2018³.

RISC's methodology was to review a probabilistic resource evaluation carried out by Gustavson Associates¹ in 2020. Details of the findings of our review and the resource estimation process are presented in this report.

Unless otherwise stated, all resources presented in this report are gross (100%) quantities with an effective date of 1 June 2022. All costs are in A\$ real terms with a reference date of 1 June 2022 (RT2022).

We have not conducted a site visit of the project area or exploration rights and do not consider one necessary as the asset value relates to potential future production, comparable transactions and metrics that cannot be verified by a site visit.

2.5. Subsequent events

RISC notes the following events as advised by Kinetiko as occurring post the evaluation date of 1 June 2022.

In respect to the Korhaan gas-to-power ('GTP') project area:

- The Korhaan-3 well achieved gas flow rates of 83 Mscf/d and the Korhaan-4 well achieved gas flows up to 91 Mscf/d^{7 8}
- Kinetiko announced that the 1MW generator provided by Vutomi Energy Pty (Ltd) under a joint venture arrangement which is to be used in the GTP project was being serviced and will be installed in 4Q2022⁹

⁷ Kinetiko ASX announcement 14 June 2022

⁸ Kinetiko ASX announcement 4 July 2022

- Kinetiko engaged Sproule to provide reserves and resources certification for the Korhaan GTP project and ER 271 ⁹

In respect to exploration activities across the Kinetiko exploration rights:

- That the KV-14C core well commenced drilling in the ER 271 license area, 5 km from the Majuba power station ¹⁰
- That further exploration wells are planned in ER 272 and ER 270 ¹⁰

These subsequent events have no material impact on our assessment of the Kinetiko assets and therefore no adjustment to our valuation is necessary. At the date of this report, RISC is not aware of any other material information that would affect our valuation with an effective date of 1 June 2022.

⁹ Kinetiko ASX announcement 15 August 2022

¹⁰ Kinetiko ASX announcement 26 September 2022

3. Regional information

3.1. Regional geology

3.1.1. Karoo Basin

Kinetiko’s Mpumalanga Gas Project is located in the north-eastern Main Karoo Basin (‘MKB’), Figure 3-1.

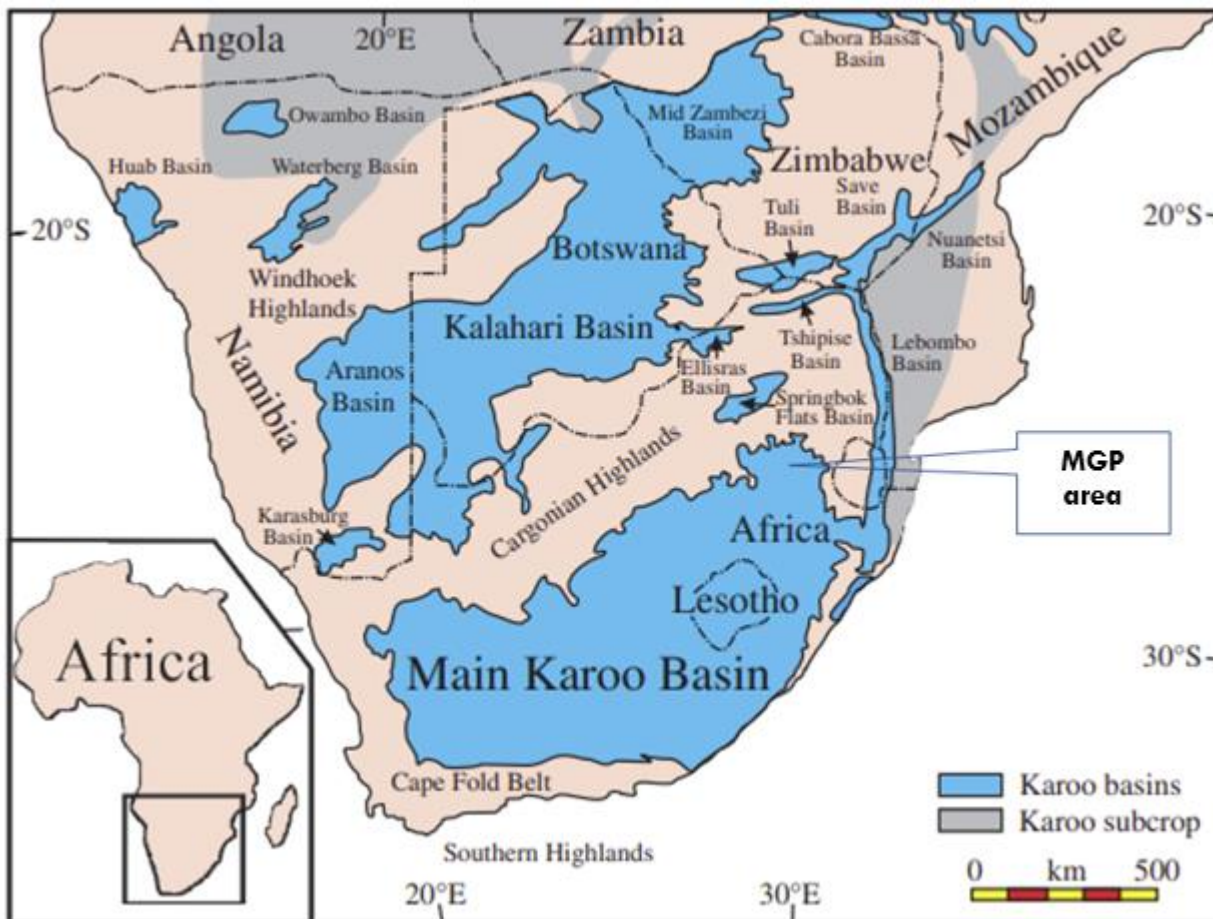


Figure 3-1: MGP location within Karoo Basin (modified from Isbell et al¹¹ 2008)

The MKB forms part of a major series of Gondwanan basins that developed through subduction, compression, collision and accretion along the southern margin of Gondwana. These include the Paraná Basin in South America, the Beacon Basin in Antarctica and the Bowen Basin in Australia¹².

¹¹ Isbell, John & Cole, Douglas & Octavian, Catuneanu. (2008). Carboniferous-Permian glaciation in the main Karoo Basin, South Africa: Stratigraphy, depositional controls, and glacial dynamics. Special Paper of the Geological Society of America. 441. 71-822441. 10.1130/2008.2441(05).

¹² Hancox P.Joan, Gotz Annette E., South Africa’s coalfields – A 2014 perspective published in International Journal of Coal Geology 132 (2014) 170-254

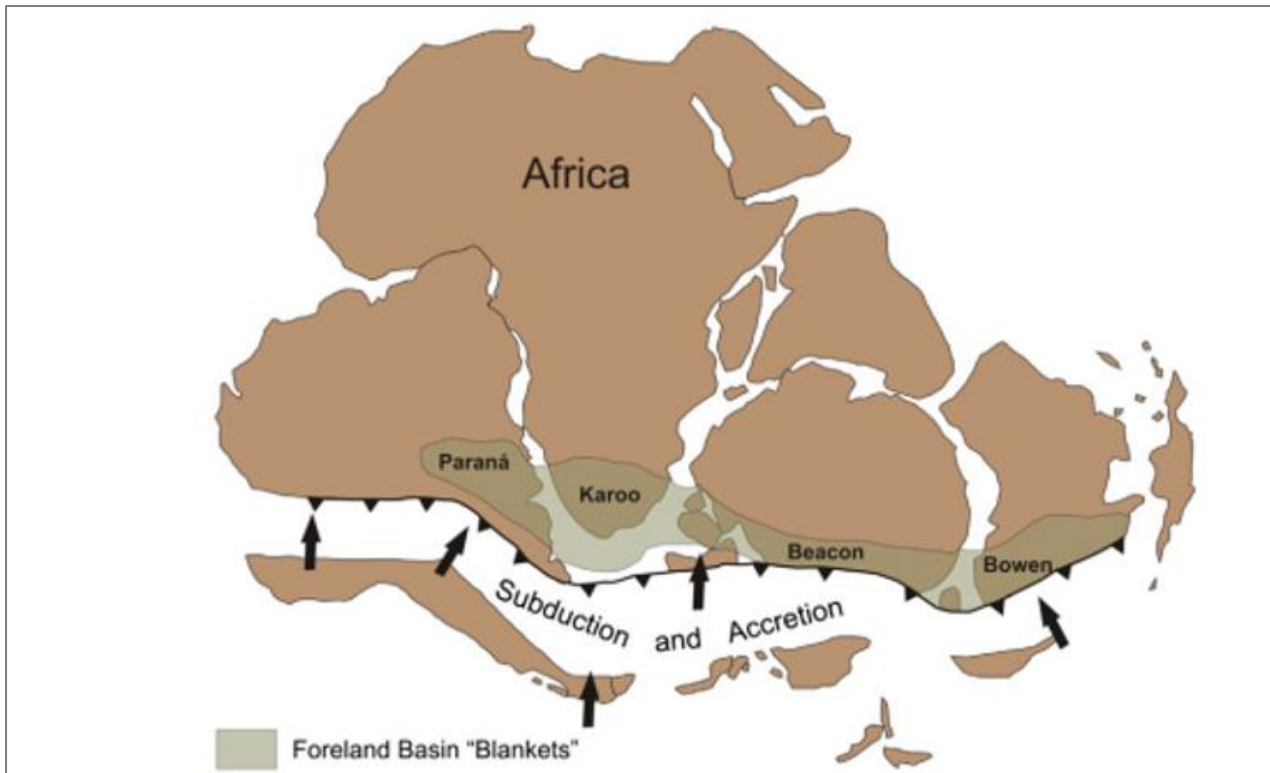


Figure 3-2: Position of the Karoo Basin in relation to other southwestern Gondwanaland Karoo aged depocentres

These depocentres filled between the Late Carboniferous and Middle Jurassic and their combined stratigraphies represent the best record of non-marine sedimentation of this period anywhere in the world.

The mainly sedimentary fill of these basins is important from a geological and palaeontological perspective in that they contain an almost unbroken record of 120 million years of earth's history, at a period when the Pangaeon supercontinent had reached its maximum extent, and during which major evolutionary change was taking place.

3.1.2. Karoo Supergroup

The stratigraphy of the Karoo Supergroup in the MKB preserves markedly different fills between the southern (proximal) and northern (distal) regions of the basin.

The sedimentary part of the Karoo Supergroup is subdivided into four main lithostratigraphic units, which from the base up are the Dwyka, Ecca, Beaufort and Stormberg (Molteno, Elliot and Clarens formations) groups. These are capped by some 1.4 km of basaltic lavas the extrusion of which is related to the break-up of Gondwana (Cox, 1992)¹³.

¹³ Cox, K.G., 1992. Karoo igneous activity, and the early stages of the break-up of Gondwanaland. In: Story, B.C., Alabaster, T., Pankhurst, R.J. (Eds.), *Magmatism and the Causes of Continental Break-up*. Geological Society Special Publication, 68, pp. 137–148.

Karoo aged depositional environments broadly range from glacial (Dwyka Group), to shallow marine and coastal plain (Ecca Group), to nonmarine fluvial and aeolian (Beaufort and Stormberg groups).

Figure 3-3 shows a generalised stratigraphic column for the Karoo Supergroup. The Ecca Group (Vryheid Formation) and Beaufort Group (Volkrust Formation) include the shallow coal and sandstone targets for the MGP.

	GROUP SERIES	FORMATION		LITHOLOGY	
		HIGHVELD COALFIELD	MEMEL AREA		
JURASSIC					
		Drakensburg Formation	Drakensburg Group	Lava, Intrusion of dolerite dikes and sills	
TRIASSIC	KAROO SUPER GROUP	Clarens Formation	Clarens Formation	Sandstone, shale	
		Elliot Formation	Elliot Formation	Shale, sandstone	
		Molteno Formation	Molteno Formation	Sandstone, shale	
		Beaufort	Tarkastad Subgroup	Driekoppen Formation Verkykerskop Formation Normandien Formation Volksrust Formation	Mudstones, sandstone
			Normandien Formation		
		PERMIAN	KAROO SUPER GROUP	Volksrust (Upper Ecca)	
Vryheid (Middle Ecca)	Vryheid Formation			Sandstone, shaly sandstone, coal carbonaceous shale	
Pietermaritzburg (Lower Ecca)	Pietermaritzburg Formation			Black shale, sandy shale	
Dwyka	Dwyka Group			Glacial, tillite, diamictite, sandstone, shale and siltstone	
Pre-Cape Rocks					

Figure 3-3: Karoo Supergroup generalised stratigraphic column – Mpumalanga Gas Project area

3.1.2.1. Dwyka Group

The Dwyka Group Includes glacial sediments which are mostly contained within bedrock valleys incised into Archean to lower Palaeozoic bedrock.

3.1.2.2. *Ecca Group*

Within the the Ecca Group significantly different facies assemblages occur in its proximal and distal sectors. Facies in the proximal sector have potential to host shale gas resources. The Amersfoort Project is characterised by distal Ecca Group deposits, where it has been subdivided into the Pietermaritzburg Shale Formation, the Vryheid Formation and the Volksrust Shale Formation.

Pietermaritzburg Formation

The Pietermaritzburg Formation consists almost entirely of dark grey laminated siltstone and mudstone, with subordinate sandstone, and attains a maximum thickness of over 400 m. Its upper boundary with the overlying Vryheid Formation is gradational and is taken as the horizon above which the sandstone to fines ratio is greater than 0.5. No coal seams are known to occur in the Pietermaritzburg Formation.

Vryheid Formation

The majority of the economically extracted coal in South Africa occurs in rocks of the Vryheid Formation, which ranges in thickness in the MKB from less than 70 m to over 500 m, Figure 3-4.

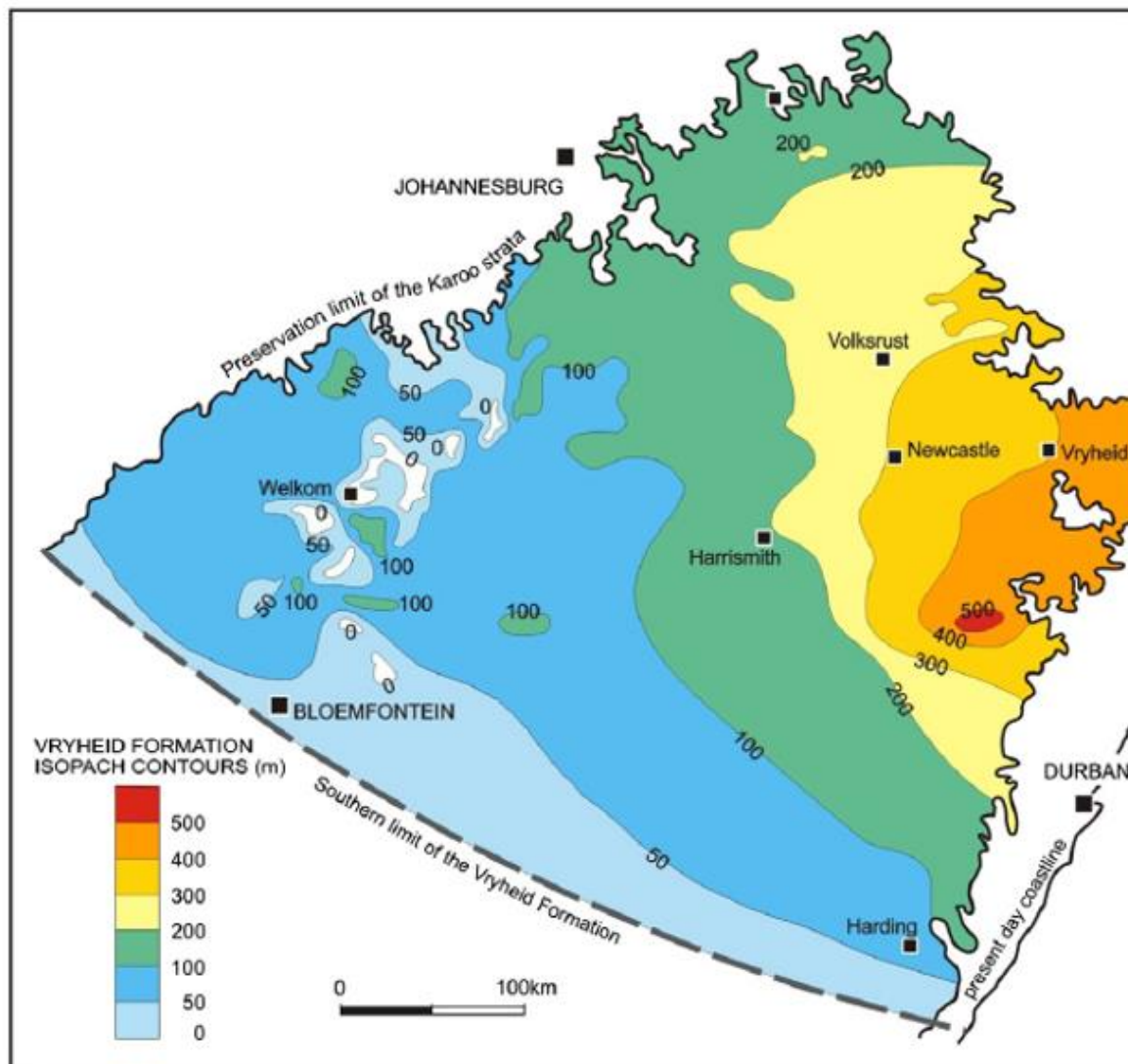


Figure 3-4: Isopach map of the Vryheid Formation – thickness increases to the east (Hancox et al, 2014)

It is thickest to the south of the towns of Newcastle and Vryheid, where maximum subsidence took place and where the basin was the deepest.

The rapid sediment supply into the basin was driven by fluvio-deltaic systems that prograded south and southwest and had source areas to the northwest, north, northeast and east of the present-day basin margin (Cadle and Cairncross, 1993)¹⁴. Later studies in the Witbank and Highveld coalfields allowed refinement of the basic fluvio-deltaic model to include beach-barrier deposits, braided fluvial deposits, fine- and coarse-grained anastomosed river deposits and constructive lobate deltaic complexes. It was this array of palaeodepositional environments, and palaeotopographic relief, palaeoclimate and tectonic setting which controlled the distribution and quality of the coal seams.

The Vryheid Formation is typified by cyclical upward-fining and upward-coarsening successions. Five coarsening-upward sequences display a remarkable lateral continuity across the entire distal region of the Karoo Basin. In a complete succession each of the five coarsening-upward sequences starts with fine-grained marine facies, which grade upwards into coarser delta front and delta plain-fluvial facies. Several coal seams occur and these are associated predominantly with the coarser-grained fluvial facies at the top of each sequence. These coal seams can be traced laterally across the entire area of occurrence of the Vryheid Formation in the MKB. The exact correlation in the various coalfields is not certain as regional differences allow for the considerable diversity of coal types (organic content), mineral matter composition, and rank (maturity).

A shifting balance between sedimentation and the rates of base level rise most likely explains the cyclic nature of the Vryheid Formation. The transgressive units which occur at the base of each coarsening-upward sequence are some of the most widespread and laterally continuous beds in the northern part of the basin. Such units form good markers for stratigraphic correlation.

The Vryheid Formation is best known for the rich fossil plant assemblages of the famous *Glossopteris* flora, which is the source vegetation for most of the Vryheid Formation coals. Following continental deglaciation, gymnospermous glossopterids came to dominate both the peat and non-peat accumulating Permian wetlands. The associated flora included lycopods, ferns, cordiales and other early gymnosperms.

Volksrust Formation

The overlying Volksrust Formation isopach is between 150 and 250 m and it is dominated by dark grey-green siltstones and mudstones, with phosphatic/ carbonate/sideritic concretions. It shows an overall coarsening-upward trend. Coals occur interbedded with the mudstones in places. The Volksrust Formation is postulated to have formed in shallow to deepwater basinal conditions. Unlike the Vryheid Formation it has a low diversity trace fossil assemblage and various organic microfossils. Macrofaunal remains include only various insects and a rare bivalve assemblage. Plant remains and fossilised wood are also known.

3.1.2.3. Beaufort Group

The Beaufort Group represents the transition from subaqueous (Ecca Group) to fully subaerial deposition with predominantly fluvial sedimentation.

¹⁴ Cadle, A.B., Cairncross, B., Christie, A.D.M., Roberts, D.L., 1993. The Karoo Basin of South Africa: type basin for coal-bearing deposits of southern Africa. *Int. J. Coal Geol.* 23, 117–157.

3.2. Ermelo Coalfield

Figure 3-5 shows the location of the South African coalfields, Hancox et al, (2014)¹². The Ermelo Coalfield (previously called the Eastern Transvaal Coalfield) overlies the Amersfoort Project Area in ER271, Figure 3-6, and is an important data source for characterising the local geology. It hosts three power stations: Eskom's 1600 MW capacity Camden Power Station recommissioned between 2006 and 2008; the 2000 MW Hendrina Power Station in the north; and the 3600 MW Majuba Power Station in the southernmost part of the coalfield.

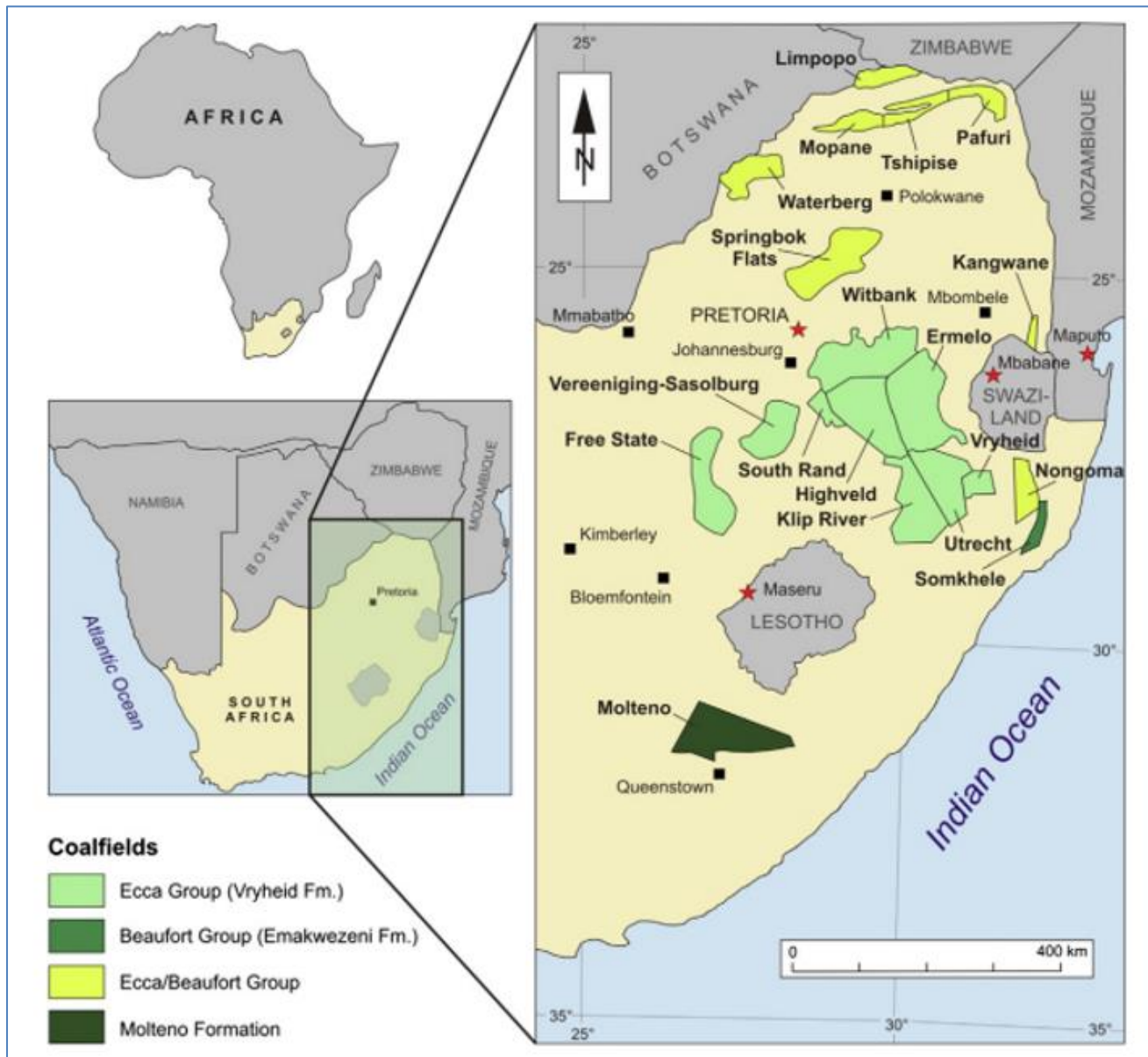


Figure 3-5: South African coalfields showing location of the Ermelo coalfield

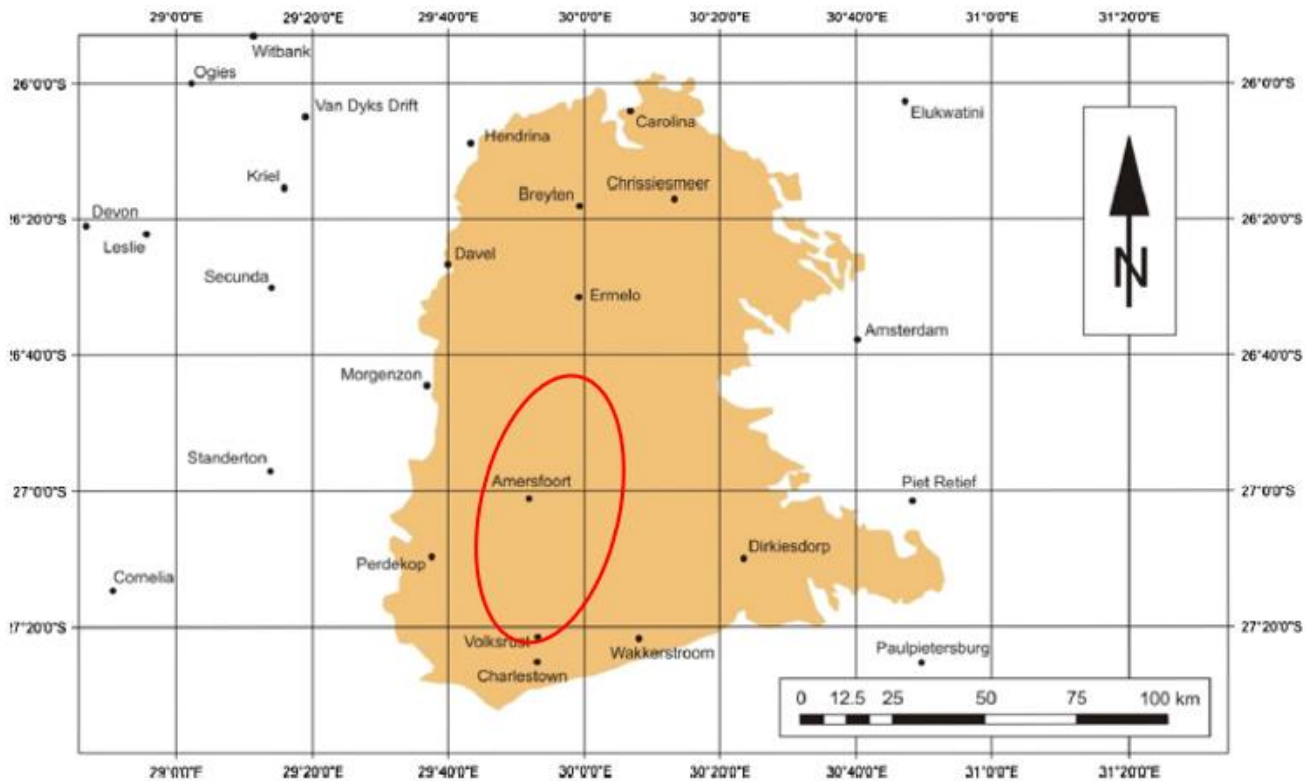


Figure 3-6: Geographic extent of the Ermelo Coalfield showing the approximate extent of the MGP Area

Figure 3-7 shows a stratigraphic column of the Karoo Super group in the Ermelo Coalfield including the underlying pre-Karoo basement rocks.

Compared with the adjacent Witbank and Highveld coalfields, Figure 3-5, the Ermelo Coalfield hosts thinner seams, is more sedimentologically and structurally complex, and is not as well studied nor understood.

The Vryheid Formation is the coal bearing horizon in the Ermelo Coalfield and five coal seams are recognised within an 80–90 m thick sedimentary succession. The seams are named from the top to bottom the A to E seams, Figure 3-7.

The basement to the Ermelo Coalfield is less well known than for the Witbank and Highveld coalfields, as few boreholes have been drilled through to it. Where documented it is formed mainly by Archaean basement granites, BIC intrusives, or metasedimentary strata of the Transvaal Supergroup.

3.2.1.1. Dwyka Group

The basement is overlain by rocks attributable to the Dwyka Group, which throughout the Ermelo Coalfield are only poorly developed, except in the far south where the unit exhibits variable thickness. Where developed the Dwyka is usually confined to palaeovalleys and consists of diamictites, sandstones and siltstones, attributed to glacial deposits, such as formed as moraines and in glacial outwash fans and lakes, and on sandur (glacial outwash) plains.

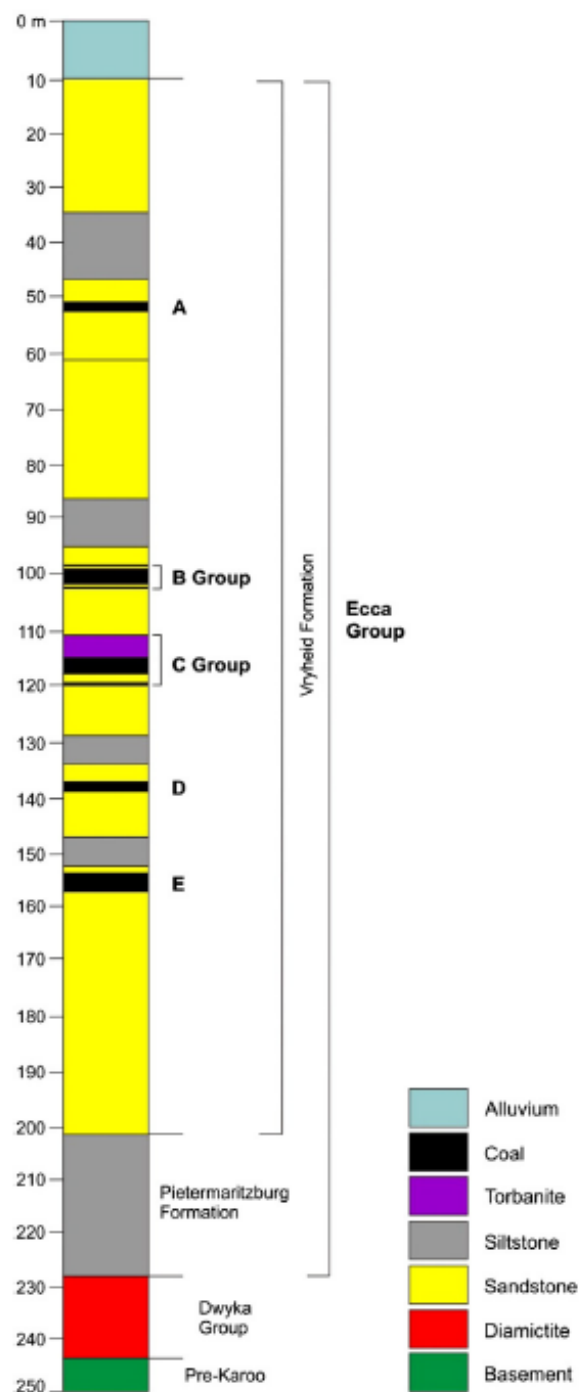


Figure 3-7: Ermelo Coalfield stratigraphic column (Hancock et al, 2014)

3.2.1.2. Pietermaritzburg Formation

The Pietermaritzburg Formation is not exposed in the Ermelo Coalfield and is rarely intersected in its entirety in any of the boreholes drilled during exploration programmes. According to Greenshields (1986)¹⁵ it is thinly

¹⁵ Greenshields, H.D., 1986. Eastern Transvaal Coalfield. In: Anhaeusser, C.R., Maske, S.(Eds.), Mineral Deposits of Southern Africa, Vol. II. Geological Society of SouthAfrica, Johannesburg, pp. 1995–2010.

developed or absent in the centre of the Ermelo Coalfield, but may reach a thickness of up to 75 m in the south of the coalfield.

In the northern parts of the coalfield, where neither the Pietermaritzburg Formation nor the Dwyka Group are developed, the Vryheid Formation unconformably rests on basement. Elsewhere it disconformably overlies the Dwyka Group or the Pietermaritzburg Formation (Ecca Group).

3.2.1.3. Vryheid Formation

The Vryheid Formation thickness varies between 170 and 350 m (Greenshields, 1986) and contains five coal seams. Two stratigraphic marker horizons occur within the sequence that may be useful in exploration drilling. These are a glauconitic sandstone unit, which overlies the B Seam package, and the bioturbated Siphonicnus-zone that occurs below the C Seam and which has been used as a marker to terminate exploration drilling. A 3 m thick E “shale” marker (a sandy bioturbated mudstone) in the floor of the E Seam, is sometimes used as an end of hole (EOH) marker when the D and E seams are being targeted.

3.2.2. Volksrust Formation

The overlying Volksrust Formation is only present along the western and southern escarpment areas, where it can achieve a thickness of up to 106 m (Greenshields, 1986).

3.2.2.1. Coal seams

The coal seams in the Ermelo Coalfield are generally flat-lying to slightly undulating and like the Witbank and Highveld coalfields, are separated by fine- to coarse-grained sandstones, siltstones and mudstones. The A, D and E seams are usually too thin to be of economic interest and historically the C Seam group was the most important in the north of the coalfield (Carolina–Breyton area) and the B Seam group in the Ermelo area. Rapid seam thickness variations characterise the coalfield.

The E Seam may reach a thickness of up to 3 m, but is of economic importance only in isolated patches in the north of the Ermelo Coalfield (Greenshields, 1986). The coal is mostly bright and banded, has a competent sandstone roof and floor and is sometimes split by a thin sandstone or carbonaceous fines (Greenshields, 1986). In the central and southern part of the coalfield, it is developed as a torbanite or as a carbonaceous siltstone or mudstone unit, and locally becomes too thin for mining.

The coal of the D Seam is of good quality, but in general is too thin (0.1–0.4 m) to be of economic importance (Greenshields, 1986). The coal is not split by partings and consists of large amounts of vitrain and occasional durain bands (Greenshields, 1986)

The C Seam group has been one of the main seam packages of economic importance throughout the Ermelo Coalfield. It is usually split by several partings which can lead to miscorrelation of the seams (Greenshields, 1986). In general the C Seam is subdivided into the C Upper (CU) and C Lower (CL) seams. The CU Seam is well-developed over the entire coalfield and is often split by partings of different lithologies, such as sandstone, siltstone or mudstone, reaching a composite thickness of 0.7 – 4 m. It has historically been mined in several collieries of the Ermelo Coalfield.

The CL Seam is not developed throughout the entire coalfield, but where developed is between 0.5 and 2 m thick. It locally grades into carbonaceous siltstone and mudstone, which often form the roof of the seam, whereas the floor mostly consists of sandstone. It has historically been mined at the Savmore, Anthra, Ermelo, Golfview, and Wesselton mines (Greenshields, 1986; Paulson and Stone, 2002). Several other mines

in and around the towns of Ermelo and Breyten have at times extracted coal from this seam including the Spitzkop, Bellevue, Grenfell, Usutu, Consolidated Marsfield, and Union collieries. The CL was also the main target seam at CCL's Ferreira opencast mine and it is also currently being mined underground at their Penumbra mine, where it occurs at an average depth of around 100 m. It is the thickest of all the coal seams intersected here, reaching a thickness of more than 1.5 m over large parts of the project area. Locally seam floor rolls may negatively influence the thickness of the CL Seam in the Ermelo Coalfield.

The B Seam group varies in thickness from 1 to 2.7 m and may be split into three units. Greenshields (1986) terms these the B1, B and BX seams, but they are more commonly referred to as the B Lower Marsfield collieries, and was the seam mined at CoAL's Mooiplaats Colliery, where it is between 0.6 and 2.87 m thick. The BU seam occurs at depths of between 90 and 140 m and ranges in thickness between 0.15 m in the southeast to over 3 m in the north.

The A Seam occurs only in the northern and central parts of the coalfield, where it varies in thickness from 0 to 1.5 m (Greenshields, 1986). Over most of the Ermelo Coalfield however this seam has been removed by erosion. Like in the Witbank and Highveld coalfields for the No. 5 Seam, the A Seam is overlain by a green glauconitic sandstone that forms a useful marker horizon and denotes the transition from a fluvio-deltaic to a marine depositional environment.

Also like the Witbank and Highveld coalfields, large areas of the Ermelo Coalfield are affected by Jurassic aged dolerite intrusions, and these intrusives are probably the single most disruptive aspect of the coalfield. The dolerites form thin sub-vertical dykes and thick (30–50 m) bedding parallel sills. Several have been identified and mapped based on cross-cutting relationships and petrological characteristics. In places thin stringers may occur within the coal seam succession creating difficult mining conditions. Both the B4 and the B6 sills are present in this area, with the B6 sill normally underlying the CL Seam. The B4 sill often breaks through the coal seams to surface and causes dislocations of the coal seams into blocks.

Associated with these intrusions is faulting that causes displacement of the coal seams (Greenshields, 1986). Faulting occurs with increasing frequency towards the south of the coalfield; with displacements of up to 250 m. Faults are almost without exception intruded by dolerite.

The dolerite intrusions have also caused large volumes of coal to have been converted to low volatile lean bituminous or anthracitic coals. In places the coal may also have been totally destroyed by burning due to the dolerite intrusions. Dolerite intrusions may also be the cause of methane and water build-ups, with the coalfield known to be gassy.

At the Usutu Colliery the West Mine was separated from the East and South Mines by a dolerite sill, which caused a vertical displacement of the coal seams between these mining areas by some 50–60 m. Many dykes occurred in the workings, some of which were grey and nonmagnetic, others green and magnetic. Bad roof conditions were common in the vicinity of dikes, particularly in the case of the B Seam workings. Close to the major dolerite sill the coal was devolatilised and/or burnt. Dolerite intrusions are also very common in the Mooiplaats Colliery area and have been intersected in a number of boreholes and underground mining panels.

3.3. Exploration and permit history

Kinetiko’s project area covers 7,000 km² with 4,694 km² of granted exploration rights, Figure 3-8. The tenements include ER270, ER271, ER272 and ER320.

On 19 August 2021, consent was given from the Minister of Mineral Resources and Energy to combine three ER areas: ER38, ER56, ER271 into a new ER271 area, Figure 3-9. The current area of the new ER271 is 1,288 km² and is highlighted in Figure 3-8.

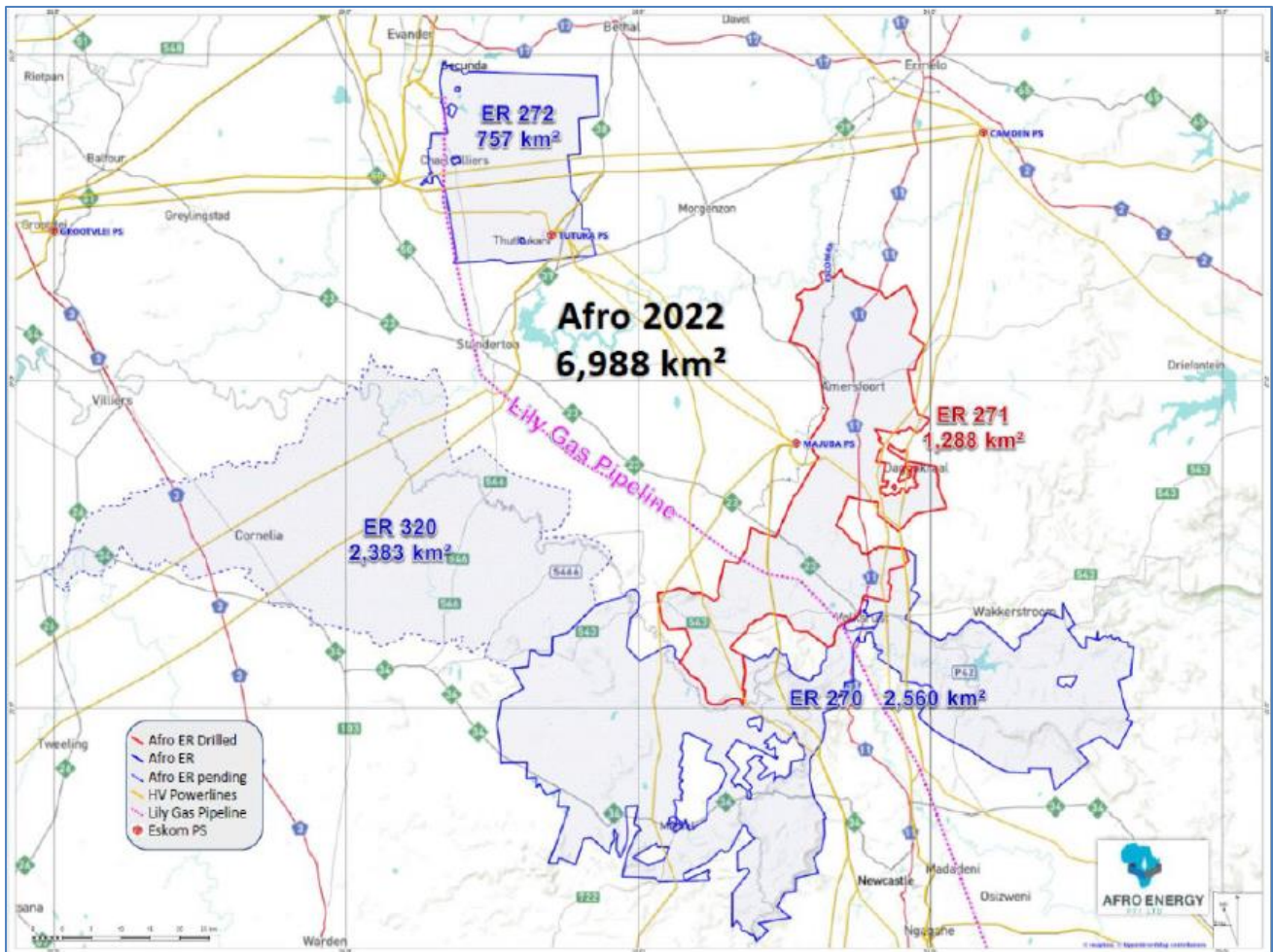


Figure 3-8: Afro Energy’s tenements

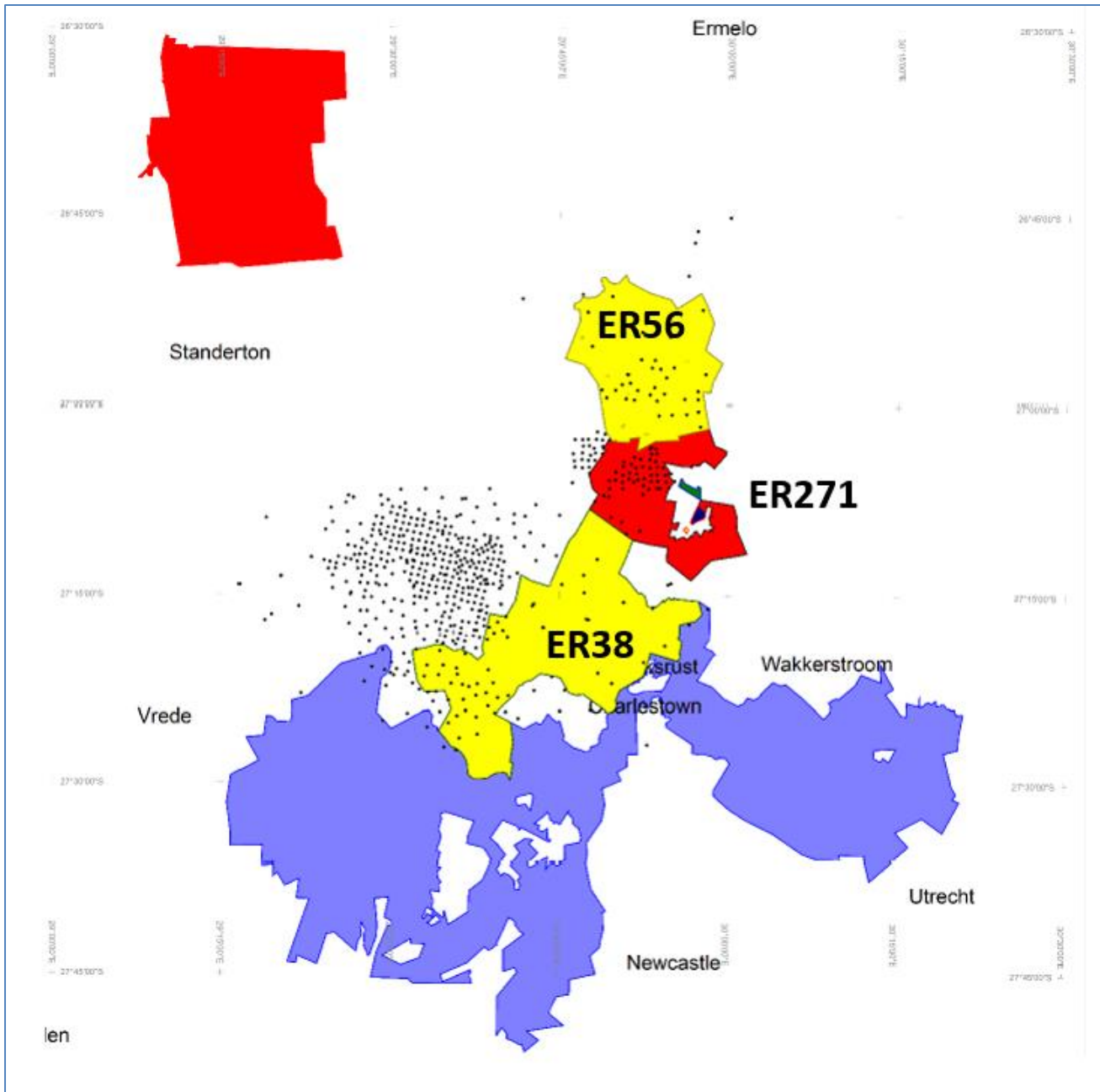


Figure 3-9: ER38, ER56 and ER271 areas prior to consolidation into new ER271 area showing coal exploration boreholes

3.3.1. Drilling activities

The MGP began in the former ER56 area of the consolidated ER271 tenement with the drilling of:

- Eight exploration core holes (KA-02-C, KA-03- CR, KA-04-C, KA-05-CR, KA-06-C, KA-09-C, KA-10-C, and KA-12-C) and two tricone holes.
- Seven pilot permeability test (PT) wells (KA-03PT, KA-03PT2, KA-05PT, KA-06PT, KA-07PT, KA-10PT, and KA11PT) were drilled in the location of the corresponding numbered core (C) or core redrill (CR) These wells are for the purpose of testing porosity, permeability and gas content of the potentially productive sandstone reservoirs and coals.

- Three additional pilot wells: Korhaan-3, Korhaan-4 and Korhaan-5, were drilled in 2021 as part of a 20-well stage 1 pilot well program. Figure 3-10 is a schematic block diagram showing the Korhaan pilot well concept. Shallow gas sourced from coal seams is produced from interbedded sandstone reservoirs.

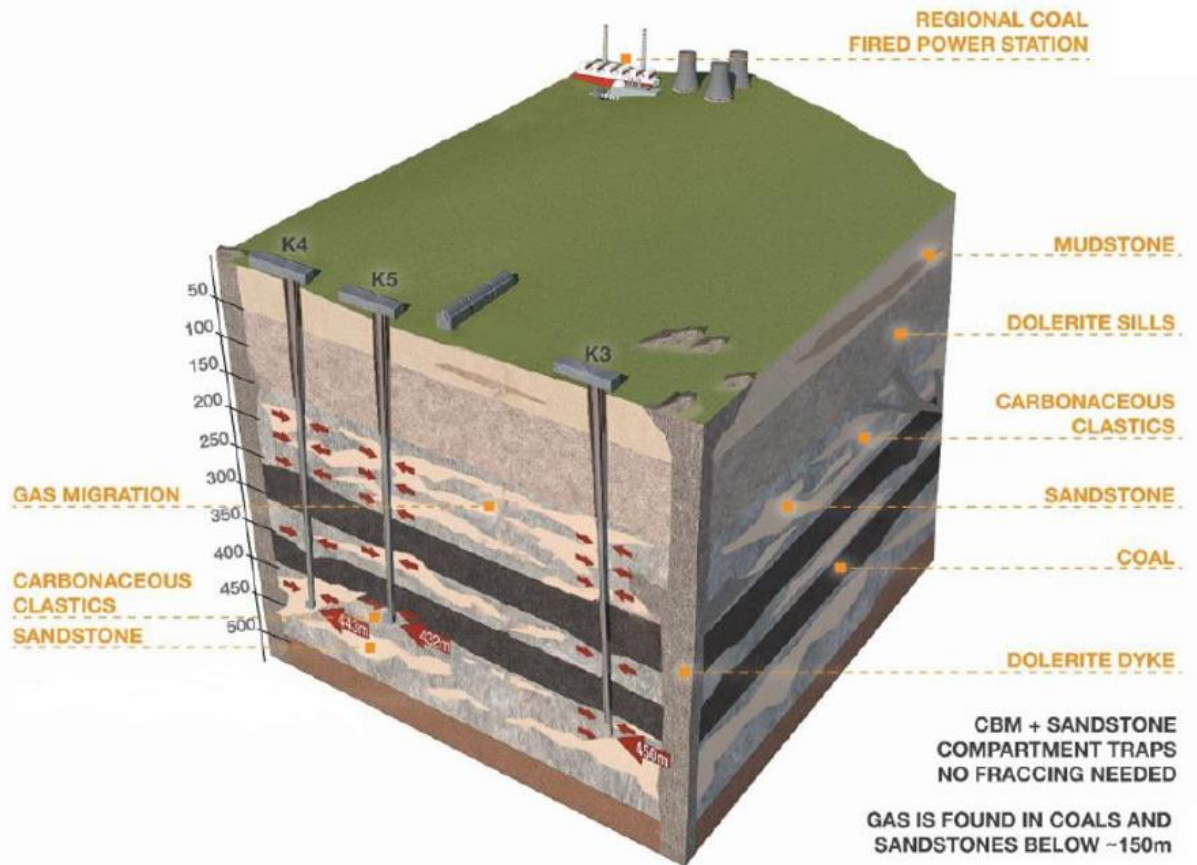


Figure 3-10: Korhaan 3-well pilot schematic block diagram (Kinetiko)

Located in the former ER38 area are:

- Nine exploration core holes (KV-01C, KV-02C, KV-03C, KV-05C, KV-06C, KV-07C, KV-09C, KV-10C, and KV-11C),
- One pilot hole (KV-04PT).

Figure 3-11 shows the location of the pilot, exploration core and percussion drill holes in the MGP area. The three Korhaan wells pilot project are not shown but are located near the KA-03PT pilot in the former ER56 area.

If successful, future stages of the MGP and full development could lead to the drilling of up to 3,000+ wells.

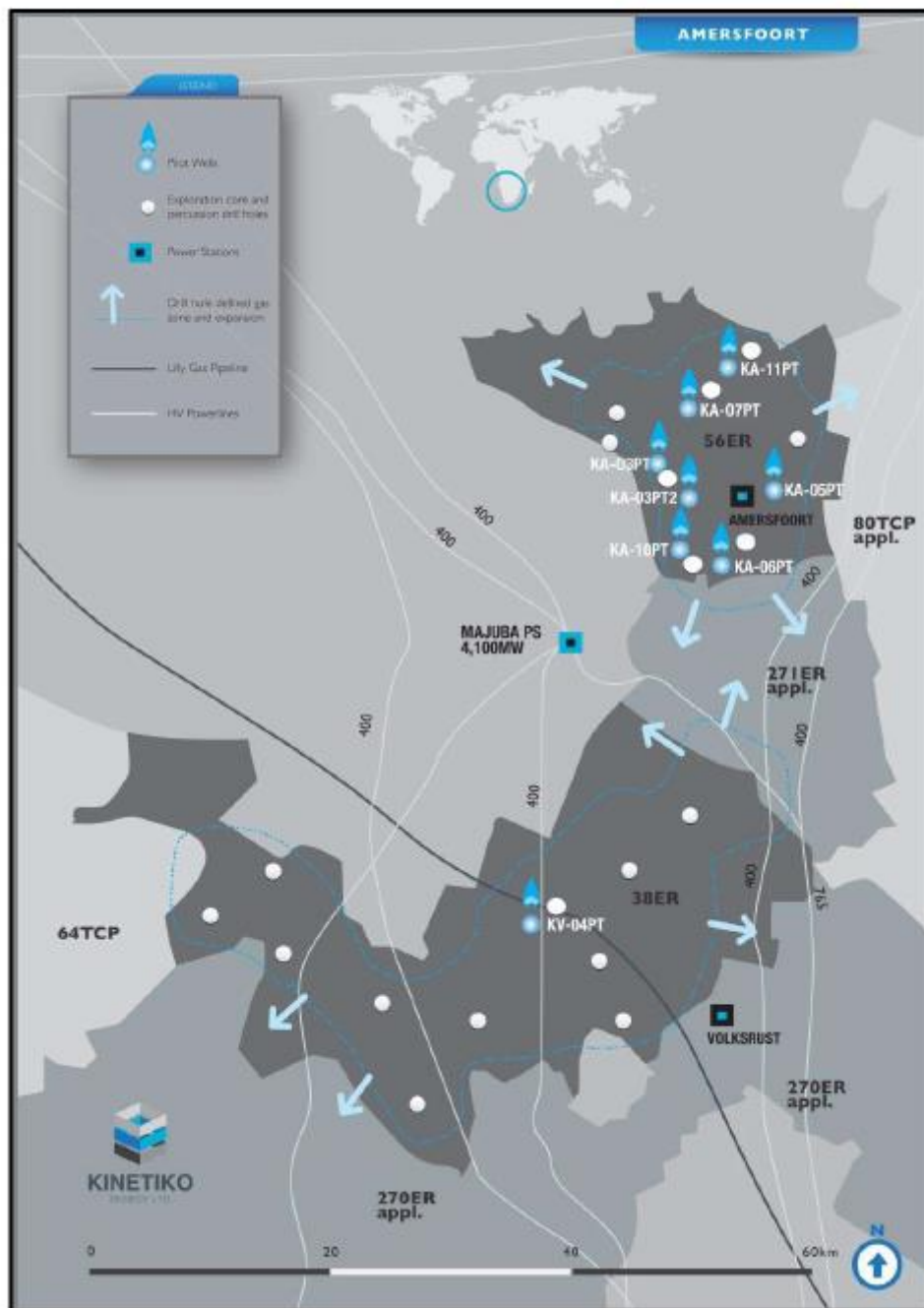


Figure 3-11: Location of pilot test well locations within the MGP area (Gustavson, 2020)

3.3.2. Aeromagnetic surveys

In 2014, a high-resolution aeromagnetic survey was flown over part of ER56. A total of 3,555 line-km of high-resolution data was collected covering an area of 145 km², Figure 3-12. This data was processed and interpreted by Xcalibur Airborne Geophysics Pty Ltd.

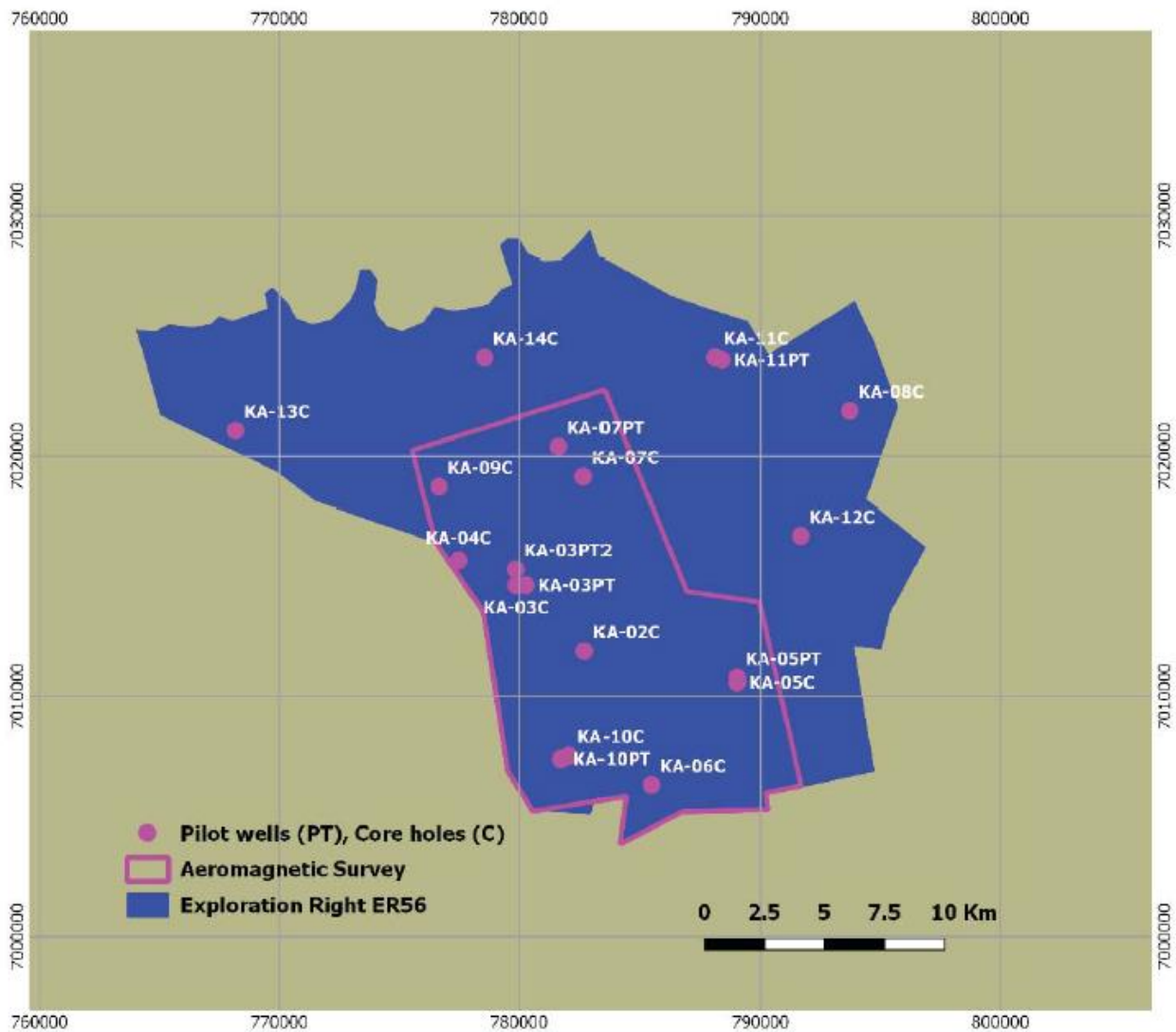


Figure 3-12: 2014 aeromagnetic survey acquired in former ER56 area (northern part of new ER271)

The interpretation of the aeromagnetic data by Afro Energy defined the locations of dolerite sills that form one of the types of top seals over the sandstone reservoirs that contain gas. The data also defined dykes and faults that can form lateral traps and can compartmentalise the gas accumulations in the sandstone reservoir, Figure 3-13. These data have been used by Kinetiko to define the size of each trap compartment, Figure 3-14 and refine the resource estimates and development plans.

In 2020 a second high resolution aeromagnetic survey was acquired within selected areas within ER38 and ER56. Approximately 10,229 line-km (460 km²) was obtained over the pre-defined area within ER38. A further approximate 1,334 line-km (60 km²) was also be obtained over a pre-defined area within ER56 to supplement the 145 km² previously obtained in the area, Figure 3-14.

During November and December 2021, 12,000 line-km of aeromagnetic surveys were acquired over parts of ER270 and ER272 (Figure 3-15).

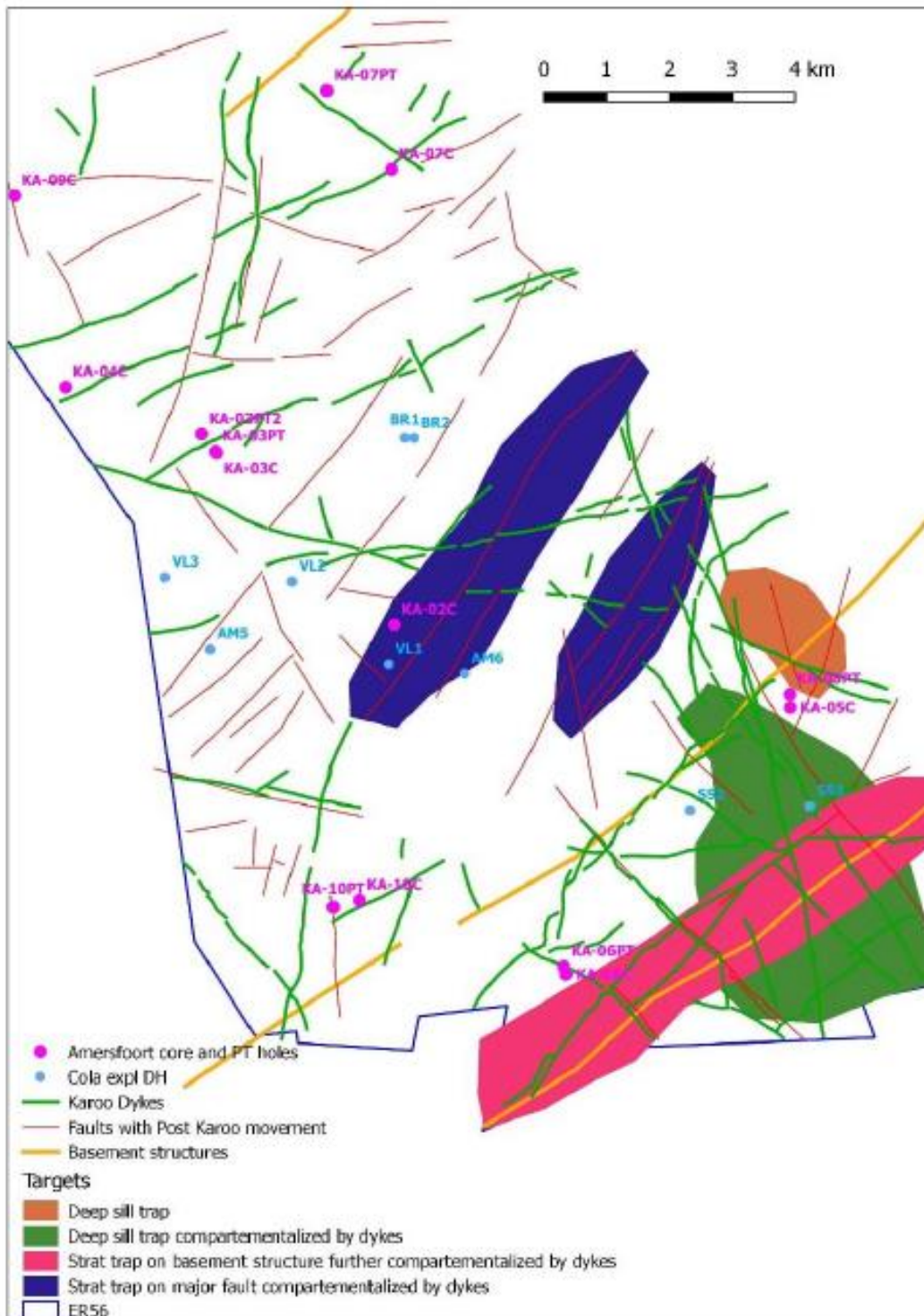


Figure 3-13: Interpreted 2014 aeromagnetic survey map showing boreholes, sills and dykes (Kinetiko)

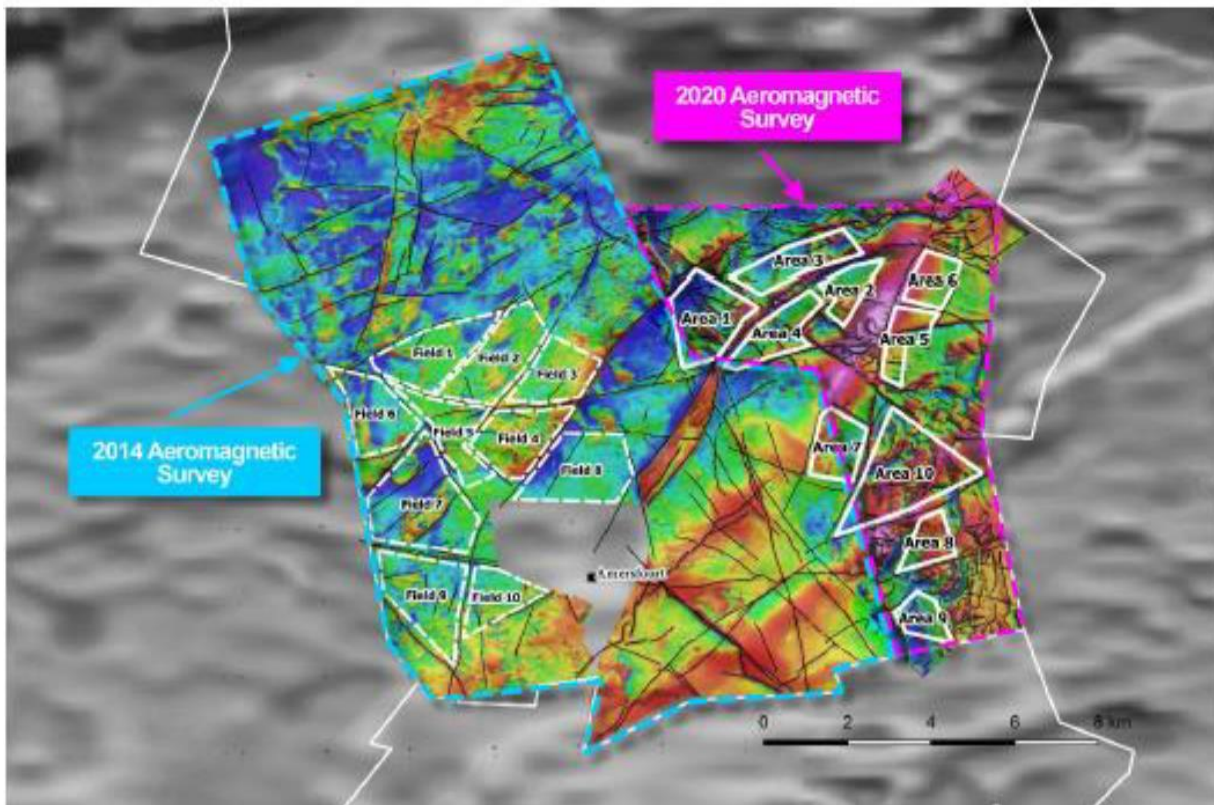


Figure 3-14: 2014 and 2020 processed aeromagnetic surveys showing interpreted volumetric compartments (Kinetiko)

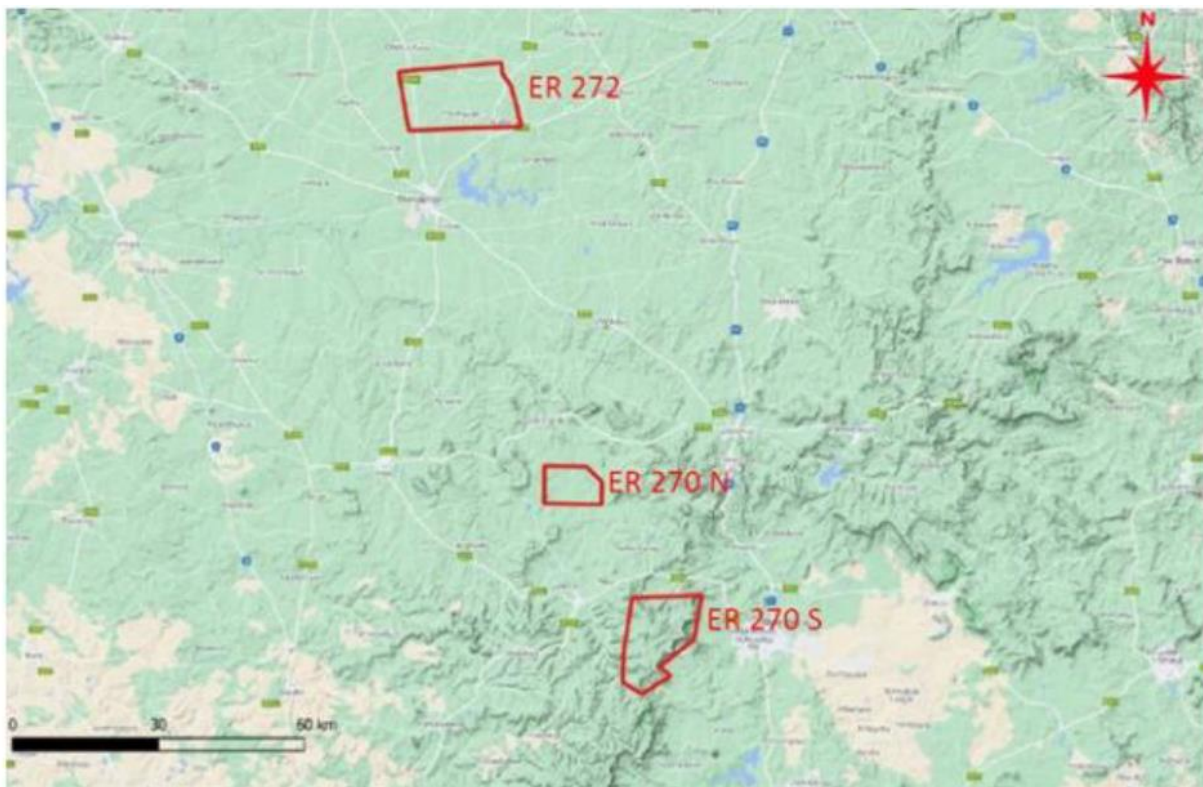


Figure 3-15: 2021 aeromagnetic surveys (red polygons) in ER270 and ER272

4. Shallow gas assets

4.1. Introduction

The Gustavson (2020) report¹ attributes a greater contingent resource to coal seam gas ('CSG') than to the conventional sandstone reservoirs. However, RISC notes that testing to date has only been undertaken on conventional sandstones. No testing has been undertaken on the CSG and, as there is no evidence of producibility, the CSG should be classified as a prospective resource, not a contingent resource.

This view also is consistent with that expressed by Ratway⁴ in a 2019 report. Kinetiko's current development concept focus is on the sandstone reservoirs rather than the CSG thus any value to arise from near-term development will likely be as a result of production from the sandstone reservoirs. Our considerations therefore focus primarily on the development of the sandstone reservoirs and valuation metrics such as EV/resource are calculated for the sandstone resources.

We note that there are some common considerations, for example, the dolerite dykes have created compartmentalized reservoirs which will impact both the sandstone and CSG reservoirs. Further, the common coal source will determine the gas composition, but this may be impacted locally by the volcanic intrusions.

4.2. Resource estimates

There have been a number of resource estimates for the asset performed over the years. The most recent of these were the estimates by Gustavson in 2020 and Ratway in 2019 (for ER56 only). Table 4-1 summarises the resource assessments of these reports.

Table 4-1: Summary of recent resource estimates, Gustavson and Ratway

Assessor	Permit	Reservoir	Classification	Category		
				1C or 1U (Bcf)	2C or 2U (Bcf)	3C or 3U (Bcf)
Ratway	ER56	Sandstone	Contingent	840	n/a	n/a
Gustavson	ER56	Sandstone	Contingent	70.2	136.3	232.8
		CSG	Contingent	137.3	297.5	573
	ER38	Sandstone	Contingent	119.6	233.5	396.7
		CSG	Contingent	346	754.5	1457.4
	ER270	Sandstone	Prospective	257.8	647.1	1264.7
		CSG	Contingent	1214.2	2672.9	5128
	ER271	Sandstone	Prospective	26.5	65.5	127.8
CSG		Contingent	101.9	225.2	435.4	
ER272	Sandstone	Prospective	76.8	189.9	374.3	
	CSG	Contingent	247.7	541.8	1027.4	
Total		Sandstone	Contingent	189.8	369.8	629.5
		CSG	Contingent	2047.1	4491.9	8621.2
		Sandstone	Prospective	361.1	902.5	1766.8
		CSG	Prospective	0	0	0

Of note is the significant difference between the Ratway and Gustavson estimates for the conventional sandstone gas reservoirs in ER56 as is described below.

As noted in Section 0, RISC’s scope was to opine on the resource estimates and classifications made by Gustavson in 2020, or, in the event that we could not substantiate those estimates to make independent estimates.

Table 4-2 shows the average parameter values used in the Gustavson probabilistic resource estimates.

Table 4-2: Input values for sandstone probabilistic estimates (Gustavson)

Parameter	Units	Minimum	Most Likely	Maximum	SI Unit	Minimum	Most Likely	Maximum
Area								
38ER	acre	106,984	128,317	160,396	Km ²	432.9	519.3	649.1
56ER	acre	62,565	75,041	93,801	Km ²	253.2	303.7	379.6
270ER	acre	31,631	474,461	632,615	Km ²	128.0	1,920.1	2,560.1
271ER	acre	3,204	48,056	64,074	Km ²	13.0	194.5	259.3
272ER	acre	9,353	140,294	187,059	Km ²	37.9	567.8	757.0
Net Pay	feet	19.7	88.6	157.4	Meter	6.0	27.0	48.0
Depth	Feet	600	720	840	Meter	183	219	256
Porosity		4.80	9.05	13.30		4.80	9.05	13.30
Water Saturation		41	52.5	64		41	52.5	64
Recovery Factor		30%	60%	70%		30%	60%	70%
Pressure Gradient	psi/ft	0.45		0.46	psi/ft	0.45		0.46
Gas Gravity, relative to air		0.60		0.65		0.60		0.65
Temperature Gradient	°F/ft		0.01		°F/ft		0.01	

4.3. Common attributes

4.3.1. Areal extent

For the range of areas used in its probabilistic calculations Gustavson has used the permit area as the maximum value, with the mid and low cases taken to be a fixed fraction of the permit area as shown in Table 4-3.

Table 4-3: Input values used by Gustavson for the sandstone resource area

Permit	Area			Relative fraction		
	Minimum	Most Likely	Maximum	Minimum	Most Likely	Maximum
	Km ²	Km ²	Km ²	fraction	fraction	fraction
38ER	432.9	519.3	649.1	0.67	0.80	1.00
56ER	253.2	303.7	379.6	0.67	0.80	1.00
270ER	128	1,920.10	2,560.10	0.05	0.75	1.00
271ER	13	194.5	259.3	0.05	0.75	1.00
272ER	37.9	567.8	757	0.05	0.75	1.00

For the sandstone reservoirs the fractions assigned acknowledge the aeromagnetic survey interpretation results and testing over ER56 and testing over ER38. Significantly lower “low” cases are assigned to other permits. ER270 (as defined pre its integration with ER38 and ER56) is located between ER56 and ER38 and proximal to the aeromagnetic survey in ER56. This could be used to argue for a higher “low” case for this permit. Further, the data pre-dates the aeromagnetic survey taken over ER270 in 2021 which would likely increase the low case over the permit.

For the CSG reservoirs Gustavson used the permit area as a constant value for the low, mid and high cases. This appears at odds with the figures used for the sandstone particularly as the well completion model envisaged is an open hole completion with both sandstones and coals open for production where present.

The processed aeromagnetic data have been used to interpret dolerite-bounded compartments (pilot field areas). An example from the 2014 survey is shown in Figure 4-1. These areas have been identified for the first stages of development with further stages expected to expand development into the full area.



Figure 4-1: Pilot field areas 1-10 (volumetric compartments) interpreted from the 2014 aeromagnetic survey

4.3.2. Gas composition and fluid properties

Produced gas samples from the project wells show a generally consistent composition with methane in the range 93 to 99% and 2 to 5.3% nitrogen, Table 4-4.

The samples were located across the ER56 permit (now northern part of consolidated ER271 tenement) and provide a broad coverage across that permit. We note that there are no gas composition samples from other permits. Historical records from the Evander gas field¹⁶, some 70 km to the north, are generally consistent with the samples from ER56 but show occasional samples with nitrogen content to 14% and may be accompanied by elevated helium levels.

¹⁶ Evander gas-field, (South Africa. Geological Survey. Bulletin 41), 1 Jan. 1964 by P. J Hugo (Author)

Table 4-4: Measured gas compositions within the project area

Sample ID:	KA-03PTR deep	KA-03PTR shallow	KA-10PT	KA-03PT2	KA-07PT	KA-06PT	KA-03PTR	KA-03PT2	Korhaan 5	Korhaan 3	DoB
	Feb-13	Dec-12	Jan-13	Dec-13	Apr-13	Oct-13	May-22	Jun-22	May-22	May-22	May-22
Component	% by volume at STP										
Oxygen	<0.1	<0.1	<0.1	<0.1	0.001	<0.10	<0.1	<0.1	0.1	0.5	0.1
Nitrogen	3.8	2.7	4.8	3.3	2.2	0.5	3.5	3.3	3.7	5.3	4.2
Hydrogen	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	-	-	-	-	-
Methane	95.4	95.5	94.8	96.0	96.3	98.8	95.9	96.2	95.7	93	95.1
Carbon monoxide	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Ethane	0.3	1.6	<0.1	0.3	0.1	0.4	0.6	0.5	0.6	-	0.6
Carbon dioxide	<0.1	<0.1	<0.1	<0.1	<0.1	0.1	<0.1	<0.1	<0.1	-	<0.1
Helium	ND	N.D.	N.D.	N.D.	N.D.	N.D.	<0.1	<0.1	<0.1	-	<0.1
Hydrogen Sulphide	ND	N.D.	N.D.	N.D.	N.D.	N.D.	<0.2 ppm	<0.2 ppm	<0.2 ppm	-	<0.2 ppm
Gross calorific value (MJ/cuM @STP) *	37.83	38.88	37.42	38.23	37.82	39.35	36.6	36.7	36.6	-	36.3
Net calorific value (MJ/cuM@STP) *	34.19	35.15	33.82	34.55	34.18	35.57	33	33	33	-	32.7

No gas composition samples appear to have been taken on gas desorbed from the coal seams, however, with the low levels of ethane and heavier hydrocarbons the gas from the sandstones is similar to compositions expected to be found in coals.

4.3.3. Reservoir pressure

Pressure data from test wells is consistent with a near hydrostatic pressure regime. Wells have been completed open hole (i.e. without production casing) so there is some uncertainty regarding the depth to which the pressure applies as the tested open hole interval is relatively large compared with the depth of the well. Detailed well data (e.g. MDT) could be used to identify vertical continuity of the hydrocarbon system, however such data does not appear to have been collected.

4.4. Sandstone reservoirs

4.4.1. Introduction

RISC has reviewed the resource estimates of Gustavson (2020) and Ratway (2019). As Ratway only considered gas resources, within the former ER56 area a direct comparison can be made with Gustavson ER56 methodology, input parameters and resource estimates.

4.4.2. Subsurface interpretation

4.4.2.1. Reservoir description

The target formation for gas production is the Vryheid Formation of the Ecca Group of the Karoo Super Group, refer to sections 3.1.2.2 and 3.2.1.3. In summary, the interval consists of sandstones, siltstones, carbonaceous mudstones, and coals deposited in shoreline and deltaic settings during the Permian.

Dolerite dikes and sills were later injected into this sequence of rocks. The heat necessary to convert the organic matter in the sediments to gas has come from prior burial. The intrusives may have provided additional heat for maturation in some areas but has also had the effect of over-cooking or burning the coals in some areas. As carbonaceous material still exists in the various sedimentary sequences, the conversion to gas process was not fully completed, Ratway (2019)⁴. The trapping mechanism for the gas has been surmised to be the dolerite sills, vertically, and dolerite dikes and clastic facies changes, laterally. Ratway considers the mudstones and siltstones in the Vryheid are capable seals, given the low capillary pressure, and thus vertical gas migration is confined to the various clastic packages below these seals. The lateral seals may be a combination of the lenticular nature of the sandstones and the dolerite dikes. Given gas indications in every core and wireline log, the project can be considered to be a "Resource Play".

4.4.2.2. Petrophysical interpretation

Gustavson methodology

Gustavson used a combination of an interpretation of field observations, well log analysis that was calibrated to field observations, and core analysis to provide the petrophysical input values to its probabilistic gas in place estimates.

The primary source for the Gustavson evaluation was a review of videos of the cores supplied by Kinetiko. Immediately after the cores were removed from the core barrel a soapy water solution was applied to detect gas bubbles. Videos and audio descriptions were recorded. Typically, the laminated and fractured sandstones exhibited more bubbles than the pebbly sandstones. These field observations were then used in the evaluation and calibration of the well logs. The field observations and core analyses were combined with the log analysis, which used the conventional Archie water saturation equation, to determine if the sandstones are gas bearing.

Routine core analyses were conducted on 19 core plugs from the KA-05CR well by Weatherford Laboratories. These samples were selected to verify good reservoir zones and potential reservoir zones that appeared marginal on logs. Permeability (both air and Klinkenberg), porosity, and grain density were reported. Permeability averaged 12.0 mD to air (ranging from 0.003 mD to 113 mD) and 10.4 mD from the Klinkenberg process (ranging from 0.001 mD to 101 mD). Porosity averaged 9.2 % (ranging from 4.8 % to 13.3 %). Grain density averaged 2.65 mg/cc. This porosity dataset was used in the probabilistic inputs for the estimation of gas in the sandstone reservoirs.

Petrological analysis was conducted on core plugs from the KA-05CR well by Stolper Geologic, Inc. ('Stolper'). These analyses were conducted to determine the reservoir quality and hydrocarbon shows from this well. All samples are classified as moderately sorted, moderately to well consolidated, fine- to medium-grain arkosic sandstone with chert and other rock fragments and minor quartz and calcite diagenetic cement. Kaolinite, illite and chlorite clays are present in the pore spaces.

A patented visual gas show analysis used by Stolper categorises gas bubble shows during the analysis process to be Abundant, Moderate, Scattered, or Trace. The patented technique has been correlated and tested in many fields and formations in North America and internationally. The categorisation of Abundant is associated with commercial gas production, Moderate is associated with gas production with minor water, Scattered is associated with predominately water production with gas, and Trace is associated with water production. Permeability and age can have significant effects on the quality of the gas show in this technique and are considered in the reporting of results. In the case of the KA-05CR well, the gas show analysis performed by Stolper indicates gas in all samples ranging from Abundant to Scattered. The Stolper report also includes the results of the visible oil stain and cut florescence visual estimation.

Field observations, log interpretation, and core test analyses all indicate gas is present below the capping dolerite in the sandstone reservoirs in all the KA boreholes. This data supports gas in all porous sandstones below the dolerite cap and should result in minimal water production.

The field observations, logging, routine core analysis and special core analysis were all combined in the petrophysical analysis. The petrophysical analysis resulted in computer processed interpretation plots representing each well. The petrophysical cut-off criteria used to estimate net sand and net pay intervals are not documented.

Ratway (2019) methodology

Ratway conducted petrophysical analysis and kriging of well net thickness values to estimate gas in place. Applying an average porosity, an average water saturation and a gas expansion factor to the bulk volume resulted in a calculated GIIP of 1.639 Tscf.

Two of the cored wells, KA-03CR and KA-05C, have had plugs analysed for porosity, permeability and rock matrix density. Klinkenberg corrected air permeabilities ranged from a high of 378.01 mD to a low of 0.001 mD. A power law relationship between porosity and permeability was established from the core data and was used to estimate average absolute permeability from open hole log calculated porosities.

Prior to conducting water saturation determinations for the KA-03CR well, a check of calculated sandstone porosities vs. core derived porosities was done. A significant discrepancy between the two was found. In order to correct for this, a correction factor was applied to the density log's compensated bulk density. This correction factor was adjusted until the variance of the calculated density log porosities from the core porosities was minimized. Minimizing variance resulted in a correction factor of 0.9182.

A similar situation exists with the KA-05C core porosities and the compensated density log calculated porosities. The correction factor in this case is 0.948. The variance however could not be reduced below 19.6, as opposed to the KA-03 minimum variance of 1.9. Still, again a significant improvement in porosity matching is the result.

Unfortunately, none of the remaining cores received any routine core analysis, which would allow a similar analysis that was done to the KA-03CR and KA-05C to be performed. Nonetheless, it was assumed that similar departures from the correct porosity existed in the log derived porosity, and bulk density correction factors averaging 0.954 were applied to all the remaining wells.

Picket plots show that the Vryheid Formation water resistivity averages 0.378 ohm-m, varying from 0.29 to 0.50 ohm-m. Corrections were required to some of the resistivity log values so that water is correctly computed in water bearing zones.

In the scanning electron microscope work done by Kathy Stolper, of Stolper Geologic, Inc.⁵, she identified significant amounts of kaolinite and chlorite lining the walls of the pores in the KA-03 and KA-05 core samples. Both of these minerals are conductivity enhancers and therefore, must be taken into consideration when calculating water saturation. In the water saturation analysis performed for this report, the Simandoux equation for water saturation is used instead of the classic Archie equation (used by Gustavson). What is needed in addition to the classic Archie equation parameters (a, m and n) is the shale volume (Vsh) and the shale resistivity (Rsh).

Net sand was selected using several criteria. First and foremost, the gamma ray log was examined to determine rock cleanliness. It was observed during examination of the core descriptions that the cleanest sandstones, exhibiting coarse to median grains, were those associated with a gamma ray reading of 130 API units or less. As such, sands exhibiting a gamma ray of 130 API units or less were considered for inclusion in the net sand category.

Dolerites also exhibit very low gamma ray values. Their gamma ray character is relatively flat, compared with the sandstones. In addition, dolerite is denser than sandstone, and when using a matrix density of 2.65 g/cc for calculating porosity from the density log, the resulting dolerite porosity is negative. Therefore, dolerite intervals can be eliminated from the net sand calculation.

Forcing a neutron-density log crossover also helps to delineate the net sands. This is done by applying a neutron porosity reduction factor and watching how it impacts the minimum compensated density porosity. From an examination of a plot of the neutron and density porosity versus depth, Ratway concluded that net sand is eliminated at a density porosity of 5.5%. So, the neutron porosity reduction factor was adjusted to meet that criterion and the remaining sand is counted as net thickness.

Figure 4-2 shows the net sand selection for the KA-03CR well and is typical of how net sand was selected for all of the cored wells. The red, net-sand flags in the lower half of Figure 4-2 were scrutinized by Ratway using the core descriptions, when available, to be sure that they corresponded to medium to coarse grained sandstones before being tagged as a net sand package (yellow). In Figure 4-2, although net sand is flagged near the bottom of the KA-03CR in the 405 m to 415 m interval, it was not included as a net sand package, because an examination of its core description revealed the flagged zones as being tillite, reworked basement, and thus unlikely to be gas bearing. The coals, identified by their low bulk density, were not included in the net sand total.

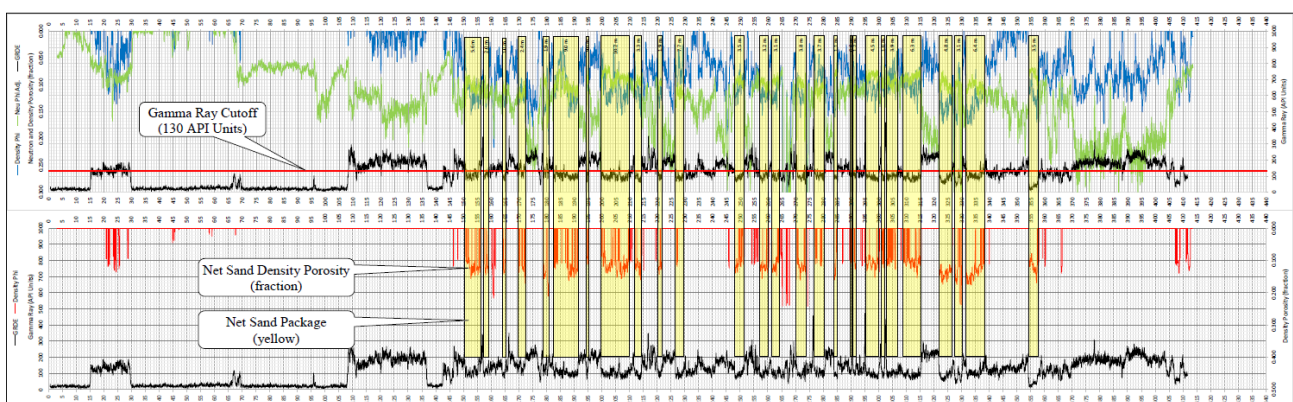


Figure 4-2: KA-03CR net sand selection (Ratway)

Table 4-5: Petrophysical analysis results (Ratway)

PETROPHYSICAL ANALYSIS RESULTS																		
Well	Lat	Long	Logging Company	Logging Unit	Gross Net Sand Interval			Net Sand		Rho b Correction	Neutron Phi Adjustment	Deep Resistivity Multiplier	Rw	Average Simandoux Sw	Average Density Porosity	Basement Reached?		Source
					Top	Bottom	Total	(m)	(ft)							Yes	No	
KA-02C	-26.986273	29.848504	Weatherford	646	61.0	337.3	276.3	68.29	224.0	0.9500	0.450	1.0	0.400	0.510	0.109	X		Core
KA-03CR	-26.96205	29.81932	Weatherford	646	150.5	357.9	207.4	99.70	327.0	0.9182	0.475	1.0	0.400	0.442	0.120	X		Core
KA-04C	-26.953143	29.794899	Weatherford	646	147.0	382.9	235.9	73.11	239.8	0.9500	0.450	1.0	0.320	0.379	0.119	X		Core
KA-05CR	-26.996937	29.912318	Weatherford	646	96.0	308.0	212.0	121.19	397.5	0.9480	0.600	1.0	0.500	0.471	0.115	X		Core
KA-06C	-27.03601	29.877328	Weatherford	646	77.3	325.0	247.7	86.59	284.0	0.9380	0.500	1.0	0.400	0.491	0.118	X	X	Core
KA-07C	-26.920774	29.846372	BFB	?	90.6	403.3	312.7	115.91	380.2	0.9300	0.420	10.0	0.290	0.422	0.103	?		Log
KA-09C	-26.925818	29.785664	Weatherford	?	115.0	349.3	234.3	84.09	275.8	0.9300	0.450	1.0	0.300	0.414	0.105	X		Core
KA-10C	-27.02577	29.842906	Weatherford	?	200.0	454.0	254.0	57.41	188.3	0.9300	0.500	10.0	0.500	0.444	0.120	X		Core
KA-11CR	-26.874908	29.899812	Weatherford	?	108.9	357.0	248.1	93.11	305.4	0.9400	0.550	10.0	0.300	0.433	0.127	X		Log
KA-12C	-26.941207	29.93745	Weatherford	646	71.8	246.3	174.5	92.10	302.1	0.9600	0.700	1.0	0.300	0.453	0.123	X		Core
KA-13C	-26.905723	29.700676	Geoline Services	?	106.2	249.5	143.3	63.51	208.3	1.0000	0.680	1.0	0.450	0.485	0.128	X		Log
Average					111.3	363.9	231.5	86.8	284.8	0.945	0.525		0.378	0.449	0.117			
Max					200.0	454.0	312.7	121.2	397.5	1.000	0.700		0.500	0.510	0.128			
Min					61.0	308.0	143.3	57.4	188.3	0.918	0.420		0.290	0.379	0.103			

No fluid contacts are interpreted as the shallow sandstone gas resource is considered to be a regional quasi-continuous gas accumulation with no vertical structural control on the extent of the gas accumulations. The extent of the accumulations is controlled by intrusives and variation in sand quality.

4.4.2.3. GIIP

details the input parameters for the GIIP calculations of Ratway and Gustavson for the sandstones in ER56, together with the reported GIIP. As the Ratway report was performed prior to the relinquishment of the north-western part of the permit we have included Gustavson's 2015 data for comparison. Overall, the calculated GIIP agrees closely with the reported GIIP for the mid (Ratway) and 2C (Gustavson) reports, however the arithmetic calculation for the 1C (Gustavson) cases is predictably significantly lower than the probabilistically estimated 1C.

We make the following observations:

- Although Ratway's summary tables are labelled 1C, he uses average parameters to determine the stated results. This creates doubt as to whether his estimates are 1C or 2C.
- Overall, the calculated GIIP agrees closely with the reported GIIP for Ratway's 1C and Gustavson's 2C reports confirming the arithmetic and reporting is correct. However, the arithmetic calculation for the Gustavson's 1C cases are predictably significantly lower than the probabilistically estimated 1C as a result of the probabilistic arithmetic.
- Although the two independent petrophysical interpretations used the same well datasets there are some significant differences.
- The primary driver for difference between the Ratway and Gustavson GIIP estimates is the net sand estimate, a factor of >3 (86 m c.f. 27 m).
- The variance in the average porosity estimates is also large, 1.3 (ca. 12% c.f. 9%).
- This difference can be attributed to differences in cut-off criteria to compute net sand and net pay intervals (which are not documented in the Gustavson report).
- Differences in the water saturation are relatively small, ca. 6%, and likely a result of the different water saturation equations used.
- The difference in the gas expansion factor, ca. 0.82, acts to reduce the GIIP difference.

Further petrophysical analysis would be required to resolve the differences.

Table 4-6: Comparison of Gustavson and Ratway GIIP input parameters and GIIP estimates in ER56

Source	Case	Comment	Area	Net thickness	Porosity	Sw	1/Bg ^{*2}	Calculated GIIP		Reported GIIP
			km ²	metres	fraction	fraction	v/v	Mm3	Bcf	Bcf
Ratway	1C	well	0.081	86.26	0.119	0.491	16.8	7.11	0.25	0.251
	1C	Permit	432	86.26	0.119	0.491	16.8	37,919	1,342	1,339 ^{*3}
Gustavson	1C	2015	375	6	0.048	0.41	20.4	1,300 ^{*1}	46.0 ^{*1}	194.7
	2C	2015	451	27	0.0905	0.525	20.4	10,679 ^{*1}	378 ^{*1}	384.7
	1C	2020	253.2	6	0.048	0.41	20.4	878 ^{*1}	31.1 ^{*1}	139.2
	2C	2020	303.7	27	0.0905	0.525	20.4	7,191 ^{*1}	254.6 ^{*1}	260.3
Legend	Reported	*1 Gustavson's GIIP estimates are calculated probabilistically.								
	Calculated	*2 Gustavson's 1/Bg estimated from temperature and pressure gradient.								
	Estimated	*3 A figure of 1,640 Bcf is calculated for the full field prior to locating wells for notional development.								

The effective area used by Gustavson is the area defined from the aeromagnetic interpretation whereas Ratway uses the entire tenement area for the GIIP estimate but reduces the area based on the location of potential development wells. We also note that Ratway's estimate preceded the relinquishment of part of the acreage which would reduce his estimate by approximately 14%.

Insufficient raw digital data has been provided to RISC to determine its own independent resource estimate. Based on the information included in the Ratway and Gustavson reports, the Ratway methodology appears to be more rigorous, however the Gustavson probabilistic volumetric methodology is likely to be the most appropriate at this stage of appraisal. This observation is particularly true in the exploration tenements ER270, ER272 and ER320 which have very limited exploration and appraisal datasets.

4.4.2.4. Testing and permeability

Table 4-7 summarises the production tests performed within the Amersfoort region. The tested wells are within the ER56 permit with the exception of KV-04PT which is in the former ER38 (now southern area of consolidated ER271).

The tests were all performed in open hole and target the sandstone reservoirs rather than the coals. With the low pressures encountered at the shallow depths the rates are generally low with an average peak rate of approximately 80 Mscf/d. We also note that problems have been encountered in almost all wells, e.g. stuck pump, high water production, leaking fixtures, running dolerites, etc.

To date, wells have been completed with open hole. Kinetiko has considered the use of cased and perforated development wells, however RISC understands that this is currently not the preferred option due to the uncertainty in providing any reduction in water cut and the considerable increase in capital costs.

There is limited extended production data. Production rates in a 6-month flow test in 2016 in KA-03PTR dropped rapidly from the initial rate of ca 180 Mscf/d to 55 Mscf/d as illustrated by Figure 4-3. Confirmation of commercial productivity will require on demonstration of a stable commercial gas production rate.

Table 4-7: Summary well test results within the MGP area

Well	Date	Stage	Hole depth m	Gauge depth m	Description	Peak rate Mcf/d
KA-03PTR	Nov-12	Upper	249	238	Above coals.	50
KA-03PTR	Jan-13	Full	402	383		400
KA-10PT	Dec-13	Full	440	425	Wrong sensor and too much water to extend test beyond 1 week. Pump stuck in hole, unable to fish. Redrill, setting casing lower to seal dolerite water zone.	20
KA-11PT	Feb-13	Full	392	371	Tested large volumes of freshwater with entrained gas. Logs indicate fresh water ingress from basal dolerite. Plan to plug back and retest.	0
KA-07PT	Mar-16	Upper	285	273	Well 1.6 km from core hole and with different dolerite layers, one of which had burnt out half of main coal seam. Gas flow too small to measure, but later learnt that the water level was not lowered due to mis-calibration of the gauge.	-
KA-07PT	Apr-13	Full	417	378	Unable to deepen. Good shut-in pressure but low gas volume. Gas entering bore below TD. May be best to redrill closer to KA-07C to avoid basal running dolerite. Genset failures, motor torque issue and flow skid problems during testing.	0
KA-05PT	Apr-15	Full	344	326	Re-cement base of casing-skid pump run. Low static water level, yielded gas flow only low pressure. Potential water storage well.	0
KA-10PTR	Jun-14	Full	440	417	Pump stuck in hole, unable to fish.	50
KA-06PT	Oct-13	Full	369	352	High pressure but low volume gas.	0
KA-03PT2	Oct-13	Full	459	396	Differential sticking zone at ~330m. Well makes 24 Mscf/d without pumping. Unable to pump water level down.	24
KV-04PT	Nov-14	Full	560	549	Tested large volume of fresh water with entrained gas. Casing may need to be set deeper in redrill.	0
Korhaan-3					Choke test	250
Korhaan-4					Choke test, partially blocked choke line.	215
Korhaan-5					Choke test. Leaking flange, dolerite fines, step changes in rate	0
Average						78

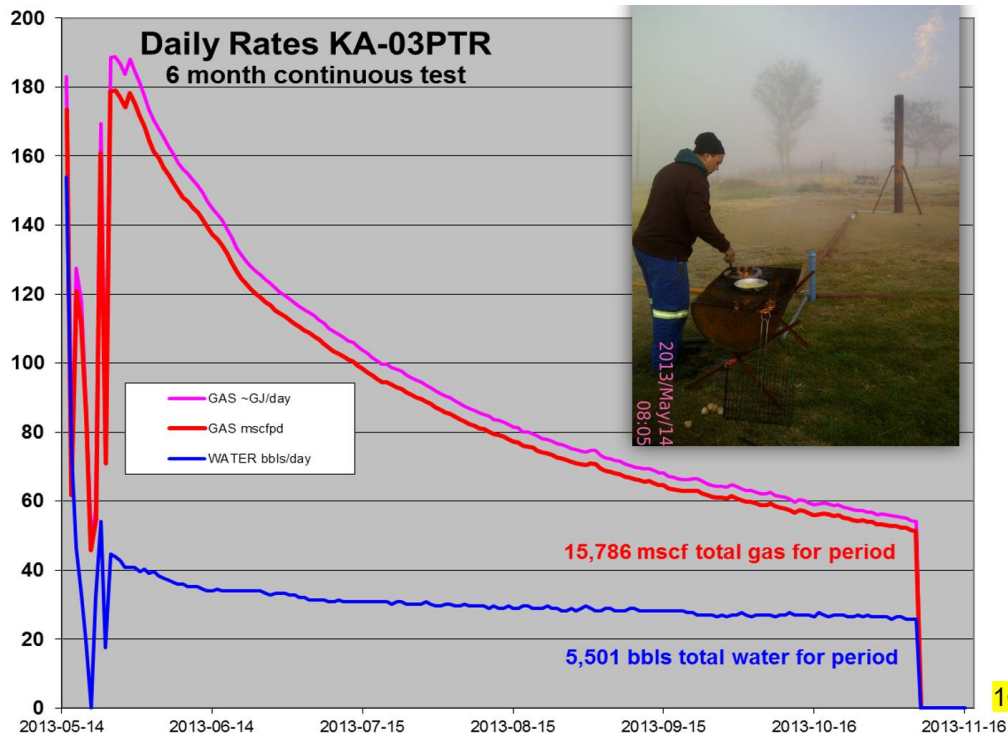


Figure 4-3: Production rates during a 6-month test of KA-03PTR

Pressure transient analysis (PTA) was conducted by Ratway (2019) on three wells KA-03PTR, KA-06PT and KA-10PTR to derive effective permeability-thickness (kh) to provide additional inputs to single-well numerical simulations to forecast gas production and contingent resource volumes. The net sand thickness, porosity and Simandoux water saturations from the petrophysical analysis were used in the PTA.

4.4.3. Recovery factors and EUR

The recovery factor range (30%-60%-70%, low-mid-high) used by Gustavson was based on its experience of analogue fields in North America. Ratway’s recoverable resource is based on a recovery factor estimated from history matched single well numerical models.

Ratway estimates gross EUR of 884 Bcf reduces to 840 Bcf after accounting for government royalty, anticipated to be 5%. The estimate is based on Ratway’s 20-acre development spacing and may be reduced using Kinetiko’s preferred 40-acre spacing or revised economic parameters.

Table 4-8: GIIP, recovery factor and ultimate recovery comparison for ER56

Source	Case	Comment	Reported GIIP (Bcf)	RF (fraction)	Reported UR (Bcf)
Ratway	1C	well	0.251	0.67	0.168
	1C	Permit	1,339	0.66	884
Gustavson	1C	2015	194.7	0.51	99.8 ^{*1}
	2C	2015	384.7	0.52	201.8 ^{*1}
	1C	2020	139.2	0.50	70.2 ^{*1}
	2C	2020	260.3	0.52	136.3 ^{*1}
Legend	Reported	<i>*1 Probabilistic calculation result.</i>			
	Calculated				
	Estimated				

4.5. Coal seam gas

4.5.1. Summary

Gustavson provides estimates of CSG contingent resources for ER56, ER38, ER270, ER271 and ER272, whereas Ratway does not ascribe contingent resources for the CSG due to the absence of testing on the coals.

RISC considers that Ratway's interpretation is consistent with PRMS 2018 and therefore the CSG should be classified as a prospective resource.

The coals are interspersed with the sandstones within the shallow sedimentary facies penetrated in the region. RISC understands that Kinetiko is looking to develop the region with vertical and slant wells with open hole completions, therefore, both the penetrated sands and coals would be available for production.

Relatively few data are available for the coals. Gustavson describes the coal data and the input parameters used to create its contingent resource estimates. However insufficient data are provided to be able to audit the results. The sections below refer to Gustavson's data and analysis.

4.5.2. Introduction

Gustavson generated probabilistic in-place and recovery estimates using triangular distributions for all inputs. The total coal thicknesses were estimated based on coal borehole data and areal trends. Badimo originally acquired the data from the Council for GeoSciences, Republic of South Africa. Ranges for other reservoir parameters were taken from either reported test results or published sources or based on Gustavson's experience with similar coal reservoirs.

The input parameters used in the resource estimates are presented in Table 4-9.

Table 4-9: Input values for CSG gas resource calculations (Gustavson)

Item	Units	Minimum	Most Likely	Maximum	SI Unit	Minimum	Most Likely	Maximum
Total Area	Acres	1,137,945			Km ²	649		
38ER	Acres	160,396			Km ²	649		
56ER	Acres	93,801			Km ²	380		
270ER	Acres	632,615			Km ²	2,560		
271ER	Acres	64,074			Km ²	259		
272ER	Acres	187,059			Km ²	757		
Total Coal Thickness								
38ER	Feet	9.8	19.5	29.3	meters	2.98	5.95	8.93
56ER	Feet	6.6	13.3	19.9	meters	2.03	4.05	6.08
270ER	Feet	8.8	17.5	26.3	meters	2.67	5.34	8.01
271ER	Feet	7.4	14.7	22.1	meters	2.24	4.49	6.73
272ER	Feet	6.0	11.9	17.9	meters	1.82	3.63	5.45
Average Depth to Mid-Coal	Feet	1,033	1,148	1,263	meters	315	350	385
Coal Density	g/cm ³	1.25	1.78	2.30	g/cm ³	1.25	1.78	2.30
Gas Content	SCF/ton	15	102	370	M ³ /Mg	0.5	3.1	11.4
Coal Fracture Porosity		1%	2%	4%		1%	2%	4%
Initial Water Saturation		5%	60%	100%		5%	60%	100%
Adsorbed Gas Recovery Factor		50%	65%	80%		50%	65%	80%
Free Gas Recovery Factor		70%	80%	90%		70%	80%	90%

Note that these values represent the expected ranges for the average of the parameters over the entire reservoir within each licence area, not the range of values at any particular point within the reservoir. In general, the most likely values were selected as the best representation of what is expected to be the average of that parameter, while the minimum and maximum values reflect the range of uncertainty expected. The average depth to mid-coal is used as an input with pressure and temperature gradients to calculate reservoir conditions and gas formation volume factor for the free gas resource estimate.

4.5.3. Coal properties

4.5.3.1. Coal density and density cut-offs

Typically, the cut-off used to define coal is an ash content of less than 50%, which corresponds with a density of less than ca 1.8 g/cc. A higher cut-off, commonly 2.00 g/cc is used to include carbonaceous mudstone.

Gustavson does not detail the coal cut-off used, however we note that the average coal density in the Gustavson input data is 1.25 - 1.78 - 2.30 g/cc (low – mid – high). This does not appear to be a realistic range for the average values:

- The low value, 1.25 g/cc, would require the entire permit to be pure coal;
- The mid value, 1.78 g/cc, would require a higher cut-off than usually applied¹⁷; and
- The high figure, 2.30 g/cc, would require all coal to be well outside the usual carbonaceous mudstone cut-off.

4.5.3.2. Coal thickness

Top depth and base depth of 2,219 coal seams in 854 boreholes recorded by the Council for GeoSciences in the Amersfoort area were correlated and the individual coal seam thicknesses summed to obtain a net coal thickness for each of the boreholes. The net thickness for the data set ranged from 0.004 to 15.853 m with

¹⁷ A density cut-off of 1.75 to 1.8 g/cc is commonly used for Bowen Basin Permian coals

an overall average of 3.433 m. It is assumed that the thickness is a cumulative gross seam thickness as the net coal cut-off criteria defining the thickness is not documented.

4.5.3.3. Gas content

Coal desorption samples have not been analyzed in order to determine density, ash content, or moisture content; therefore, the gas contents used in the Gustavson resource estimate are reported on an as-received basis. Multiple samples of non-carbonaceous material were collected for desorption experiments. Gustavson excluded these samples from the analysis since the results and estimates reported apply only to the coal and carbonaceous mudstone intervals encountered in the core holes. The carbonaceous intervals were selected based on identifying those samples that had a density value of less than the typical carbonaceous mudstone cut-off of 2.3 g/cm³ as measured from the bulk density log.

We note that the gas desorption data considers the lost (Q1) and desorbed (Q2) gas quantities but omits the crushed (Q3) sampling. Whilst this will lead to some underestimation of the gas content we do not consider that the error is likely to be significant. We also note that the later time desorption was performed at an elevated temperature which speeds the desorption process. The ash content of the desorbed samples was estimated from the density of the sample, assuming pure coal to have a density of 1.2 g/cc and an ash content of 50% at 1.85 g/cc. Figure 4-4 shows the gas desorption data from KA-03CR, with a clear inverse relationship between the ash and gas content.

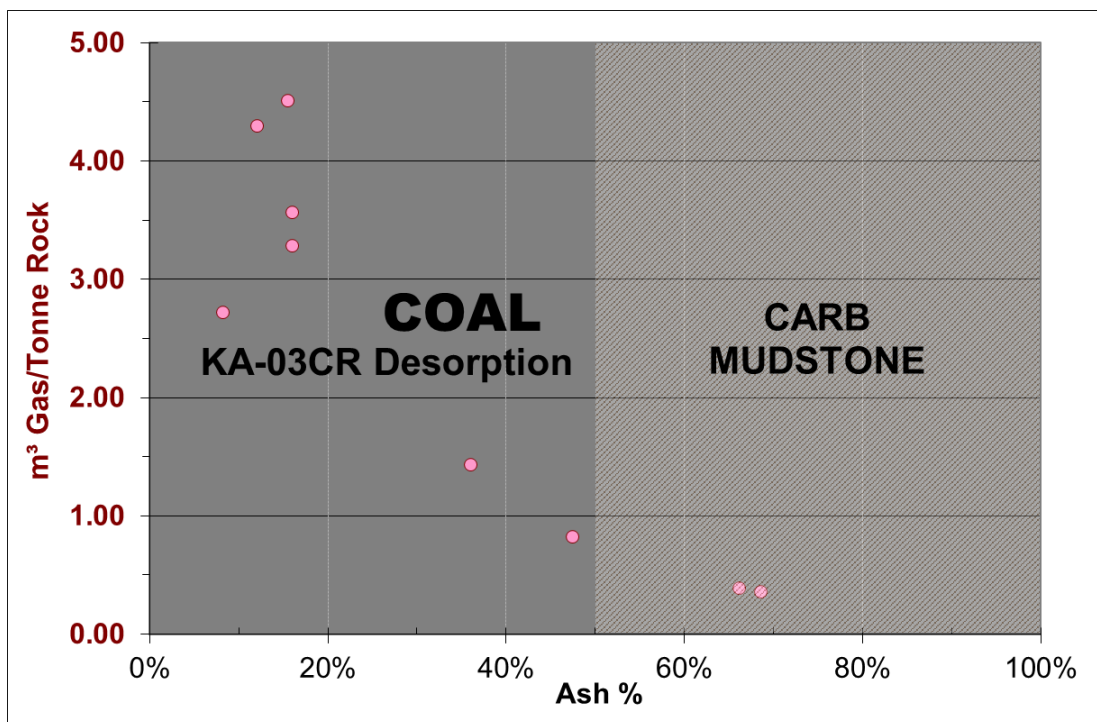


Figure 4-4: Gas desorption data (as received) from KA-03CR

Gas contents (as received) in the Volksrust region are generally slightly higher than in the Amersfoort region, Table 4-10. This appears to be a consequence of the greater depth of the coals in this area although there does not appear to be a well-defined gas content versus depth relationship, Figure 4-5.

Table 4-10: Comparison of gas content data between the Amersfoort and Volksrust regions

Region	Ash cut-off					
	<=50%			<=60%		
	Average depth	Average ash	Average gas content	Average depth	Average ash	Average gas content
	m KB (top)	fraction	m3/Tonne	m KB (top)	fraction	m3/Tonne
Amersfoort	265	0.29	2.84	261	0.35	2.64
Volksrust	379	0.32	5.25	378	0.36	4.98

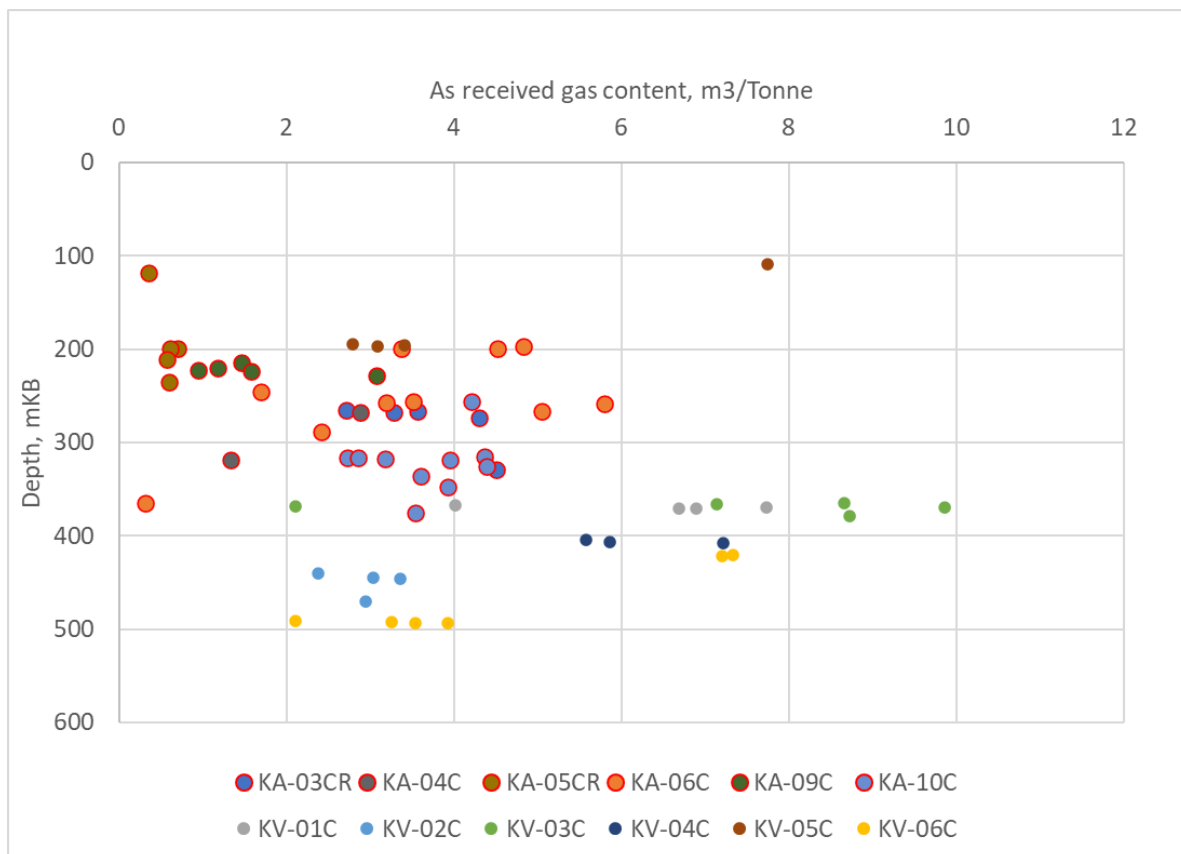


Figure 4-5: Gas content (as received) versus depth

Gustavson uses a single mid-coal depth and gas content for all permits, further mapping would be required to assess the range of depth in each region. The most likely gas content used appears slightly high for ER56, but low for ER38. The low (0.5 m3/Tonne) and high (11.4 m3/Tonne) gas content values also appear too extreme.

4.5.3.4. Gas isotherms and saturation

Three gas adsorption curves have been provided, two are for coals with a vitrinite reflectance of approximately 0.6%, the third had a vitrinite reflectance of 2.46% and is likely coked and therefore not representative of the majority of the coals.

Table 4-11: Methane adsorption isotherm data

Parameter	Units	05CR-002 199 m	03CR-006 274 m	12C-009 217 m
Langmuir Vol. (as rec)	cc/g	9.24	12.05	20.15
Langmuir Pressure	MPa	3.92	5.26	2.95
Vitrinite reflectance	%	0.57	0.62	2.46
Moisture Content	%	6.03	7.25	4.66
Ash Content	%	19.79	11.91	23.44
Helium Density	g/cc	1.490	1.394	1.594
Gas used	-	methane	methane	methane

At the low gas pressure expected (250-500 psi) in the region, the two valid samples predict a similar gas capacity of 3.0 to 4.5 m³/tonne. However, we note that the samples selected for the adsorption isotherm analysis had a lower ash content than generally seen in the desorption samples and corrections for coal quality would be required.

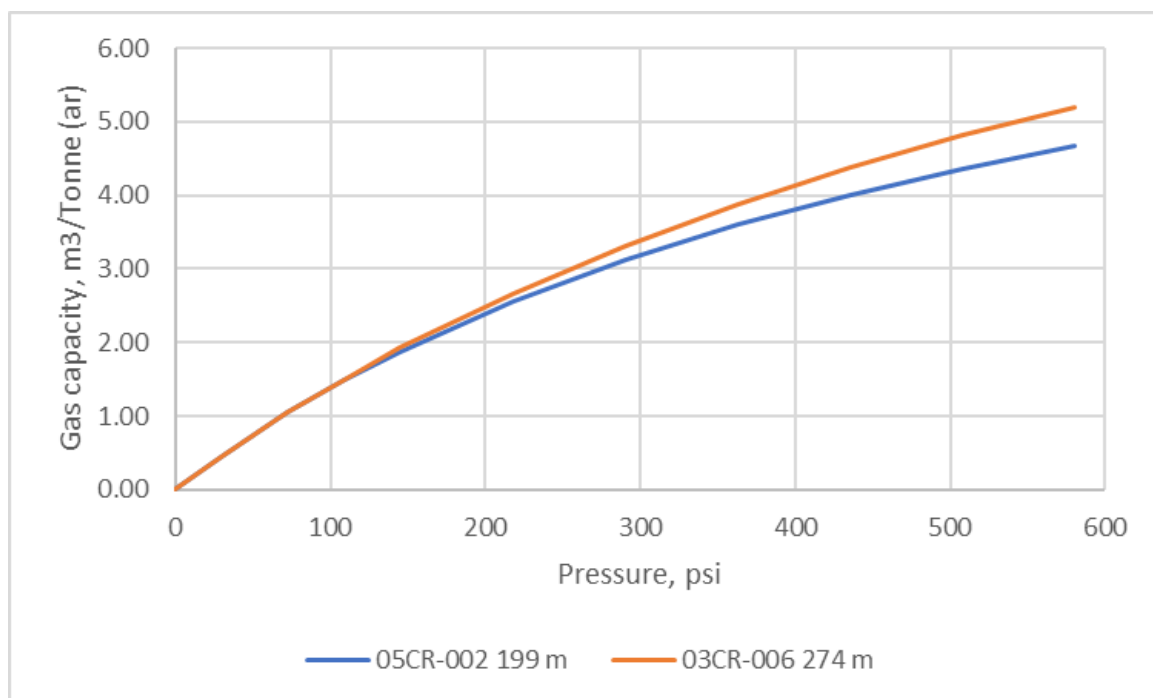


Figure 4-6: Methane adsorption isotherms

4.5.3.5. Testing, permeability and resource classification

RISC has not located test data for the coals and the absence of coal tests is consistent with the statement in the Ratway report⁴, Figure 4-7. As a result, RISC considers that any gas recovery from coals should be classified as a prospective resource, not a contingent resource as classified by Gustavson. RISC has not included the CSG resource in the comparative metrics used in this valuation (Section 6).

The potential contribution of gas from the coalbed reservoirs has not been evaluated, since no wells have been specifically completed in them and there was insufficient dewatering in the test wells to expect significant volumes of adsorbed gas to have been produced from them. It is worth mentioning though that a 2015 study by Boulder, Colorado based Gustavson Associates determined that 1C contingent resources of coalbed methane in both free and adsorbed states exists in ER56 in quantities of 11.0 and 298.9 Bscf, respectively, in addition to the gas from sandstones, which is exclusively modeled in this report. At this time, CBM is a theoretical upside to the project.¹

Figure 4-7: Extract from the Ratway report⁴

4.5.3.6. Recovery factors

Gustavson has used a minimum recovery factor of 50%, most likely recovery factor of 65%, and a maximum recovery factor of 80% were used. This range of recovery factors is based on Gustavson’s knowledge and experience with similar CBM reservoirs and supported by recovery factors reported by Williams Production Mid-Continent Company for their CBM wells producing from Pennsylvanian age coals in the Arkoma Basin, Southeastern Oklahoma.

Recovery calculations using initial and abandonment pressures and the gas adsorption isotherms suggest that this range is reasonable, Table 4-12. Actual recovery will depend on factors such as the development plan and economics.

Table 4-12: Recovery factor estimates

Depth	Initial pressure	Abandonment pressure	Initial gas content	Abandonment gas content	Recovery factor
	psi	psi	g/cc	g/cc	fraction
Shallow	250	50	2.82	0.75	0.74
	250	75	2.82	1.08	0.62
	250	100	2.82	1.38	0.51
Deep	500	50	4.33	0.75	0.83
	500	75	4.33	1.08	0.75
	500	100	4.33	1.38	0.68

4.5.3.7. Analogues

Gustavson cites the Sydney Basin is a close analogue to the Karoo Basin since the coals are also Permian age high latitude coals. Sydney Basin is located in southeast Australia and is of Permian-Triassic age. Coal depths range from outcrop to 1,005 metres deep. Sydney Gas Ltd. has CBM wells that produce from depths of 380 m to 730 m. Coals in the former ER56 Licence Area (now the northern part of the consolidated ER271 permit) typically run from the surface to 365 m with some areas having coals up to 730 m deep. The coal depths for the former ER56 Licence Area are similar to the shallower parts of the Sydney Basin and several basins that are producing CBM in the United States.

Coal rank in the Sydney Basin ranges from high-volatile bituminous to medium-volatile bituminous coal. Coal rank for the ER56 Licence Area also ranges from high-volatile bituminous to medium bituminous coal.

Cumulative net coal thickness for the Sydney Basin is approximately 18 m with some areas reaching more than 55 m thick. Though data is limited, gas content is reported to range from 11 m³/tonne to 14 m³/tonne. In the ER56 Licence Area net coal thickness ranges from less than 1 m to 16 m. Gas content, as measured by the Kinetiko, ranges from 0.5 m³/tonne to 11.4 m³/tonne.

5. Field Development Plan

5.1. Conceptual development phases

The MGP assets are currently in the exploration and appraisal stage. The most advanced in terms of testing and completed wells is the part of ER271 which was formerly ER56, followed by the former ER38 region. Kinetiko has a number of options for appraising these areas through small “proof-of-concept” developments that will demonstrate longer term production characteristics with a number of wells. Beyond that there are options for development through gas to power, LNG, gas to pipeline and supply to chemical plants.

Kinetiko has associations with a several companies which can assist with development in various ways and stages, for example:

- Vutomi, an electricity producer, has offered to loan a 1 MW-h electricity generator for site use, with possible expansion to 5 MW-h;
- Industrial Development Corporation of South Africa (‘IDC’). A South African government subsidiary mandated to promote economic growth and industrial development in South Africa;
- Virtual Gas Network, a supplier of compressed natural gas by road through a modular road transport system to refueling stations, gas reticulation network, industry, power generation plants, as well as to customers not on an existing gas pipeline;
- Phefo Power, with whom Kinetiko has secured a subscription of ZAR\$10 million from this South African energy investment group.

Development that can be undertaken quickly and at low cost is the installation of the Vutomi generator, sourced initially from existing wells in ER56 with electrical offtake via existing infrastructure. Such a development would enable longer-term production to commence, a necessary stage in confirming the long-term behaviour of the wells and associated costs.

For this exercise RISC prepared a notional appraisal and development concept for ER56 and ER38 with staged appraisal and development timing to allow for ongoing learning and phased expenditure, Figure 5-1. A number of appraisal and development stages are foreseen, commencing with smaller, proof of concept, pilots with full scale development dependent on their success.

Appraisal takes place in early stages with a notional modular development of 24 TJ/d coming after successful appraisal. In the figure the yellow-coloured region indicates the period of construction with the tan colouring indicating production.

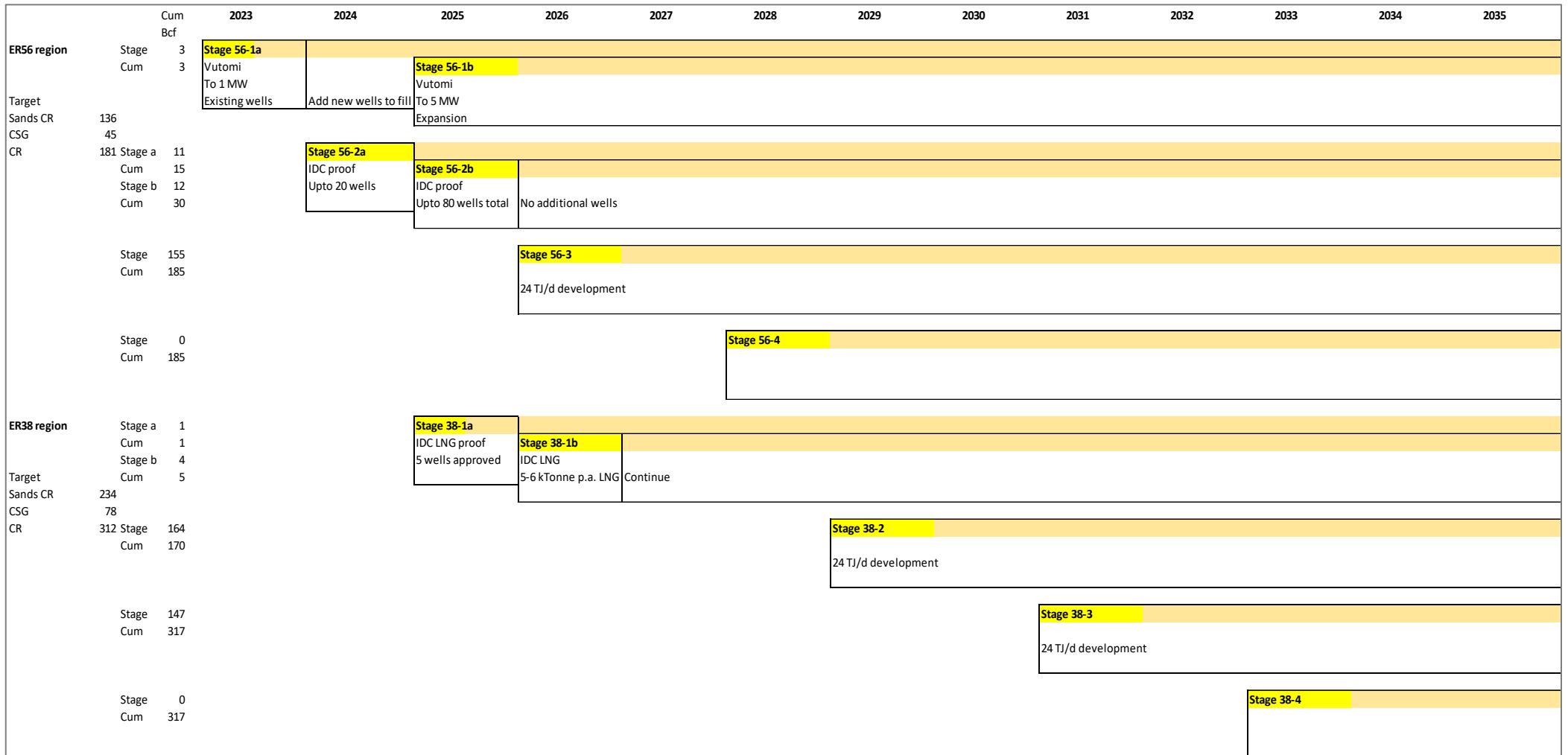


Figure 5-1: Conceptual appraisal and development plan for ER56 and ER38

6. Valuation

6.1. Summary

RISC reviewed a number of methodologies for the valuation of the MGP but found none were ideal. The primary issues associated with the derivation of a valuation were:

- The unique nature of the MGP asset; and
- The number of different characteristics of the projects.

Within the MGP Kinetiko is seeking to develop a poorly delineated, low pressure conventional sandstone reservoir and has the opportunity to develop CSG at a later date. RISC is not aware of a similar development anywhere. There is no commercial onshore gas production in onshore southern Africa and only a few gas developments under construction. Projects that do exist have different characteristics and metrics to Kinetiko's assets and therefore do not provide meaningful comparisons (Table 6-1).

Table 6-1: Characteristics of the MGP and other projects

Metric	Kinetiko	Renegen	Tlou
Hydrocarbon type	Gas	Gas	Gas
Other products	None	Helium	Solar, hydrogen
Reservoir type	Conventional, compartmentalised	Fractured	Coal
Status	Appraisal	Under development	Under development
Reserves	No	Yes	Yes
Contingent resources	Yes	Yes	Yes

RISC has considered a number of valuation methods commonly used for assets at the exploration phase: comparable transactions, Enterprise Value ('EV') per resource volume, EV per unit area and past and future expenditure.

RISC did generate a conceptual appraisal and development plan and undertook a discounted cash flow ('DCF') valuations of this plan however there were a number of uncertainties with such a plan that impacted the value, e.g.:

- Firm development plan and timing of the development;
- Geological parameters, such as the size of the reservoir compartments and location of the dolerite dykes;
- Long term performance, particularly with regard to workover requirements and water production; and
- Success of appraisal.

Due to the number of assumptions needed for this method for which there was no reasonable basis we did not consider this an appropriate valuation method. A DCF is normally used for projects in production or under development and it is not commonly used for assets at the early stage of appraisal/development like the MGP.

In summary, RISC estimates that the value of Kinetiko's 49% share in Afro Energy and the Mpumalanga Gas Project lies in the range A\$2.8 million to A\$150 million, with a best estimate of A\$20 million (Table 6-2).

Table 6-2: Summary Kinetiko valuation estimates and considerations

	Valuation (A\$ million)		
	Low	Best	High
Net Kinetiko	2.8	20	150
Valuation rationale	Relevant sunk costs, exploration expenditure 2018-2022	Sunk costs and warranted future expenditure; and Phefo transaction	Comparable transactions for Renegen with adjustments for the value of helium production and the less advanced stage of development of MGP

Our valuation is described in the following text, but can be summarised as follows:

- For the low estimate of Value, RISC has used the relevant exploration expenditures post-FY2018, which amount to ca. A\$2.8 million. Exploration expenditures pre-dating this period, whilst warranted, have been discounted as is normal in the practise of the cost method in estimating Value. These costs have been borne 100% by Kinetiko and reflect the gross project and net Kinetiko Value.
- For the best estimate of Value, RISC used the total project past costs and warranted future exploration expenditures as estimated by RISC. This method of valuation is supported by the Phefo transaction which values Kinetiko at ca. A\$18 million, but which RISC considers as a strategic investment and being at a discount.
- For the high estimate of Value, RISC has made comparison with the average of two recent transactions involving Renegen. Renegen is developing a gas resource which have some similar characteristics to the MGP. However, Renegen’s project is at a more mature stage than the MGP and is expected to have a significant revenue contribution from helium. Comparison has been made by adjusting value for the contribution of helium to that project. Whilst this is less than ideal there are no other suitable comparisons.

6.2. Valuation of exploration assets

6.2.1. Introduction

RISC has valued Kinetiko’s assets in accordance with principles of the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets (‘VALMIN Code’). The valuation is based on the concept of “market value” (Value) as defined by the VALMIN Code.

The VALMIN Code defines Value as the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm’s length transaction wherein the parties each acted knowledgeably, prudently and without compulsion. For the purposes of this report, we have applied these definitions to petroleum properties.

A range of oil and gas industry accepted practices in relation to petroleum properties has been considered to determine value, which are described below.

6.2.2. Comparable transaction metrics

The value of exploration properties can be estimated using recent comparable transactions. Such transactions may provide relevant metrics such as value per unit of reserves, contingent or prospective resources and price paid per unit area of the permit or working interest. The VALMIN Code advises value must also take into account risk and premium or discount relating to market, strategic or other considerations.

6.2.3. Farm-in promotion factors

An estimate of value can be based on an estimation of the share of future costs likely to be borne by a reasonable farminee under prevailing market conditions. A premium or promotion factor may be paid by the farminee. The promotion factor is defined as the ratio of the proportion of the activity being paid for and the amount of equity being earned.

The nominal permit value is defined as the amount spent by the farminee divided by the interest earned. The premium value for the permit is the difference between the nominal value and the equity share of the cost of the activity divided by the equity interest being earned.

The premium or promotion factor will be dependent upon the perceived prospectivity of the property, competition and general market conditions. The premium value is equivalent to the farminee paying the farminor a cash amount in return for the acquisition of the interest in the permit and is the fair market value.

Farm-in transactions may have several stages. For example, a farminee may acquire an initial interest by committing to a future cost in the first stage of the transaction, but has an option to acquire an additional interest or interests in return to committing to funding a further work programme or programmes.

Farm-in agreements can also include re-imbusement of past costs and bonus payments once certain milestones are achieved, for example declaration of commerciality, or achieving threshold reserves volumes. Depending on their conditionality, such future payments may contribute to value. However, they may need to be adjusted for the time value of money and probability of occurring.

6.2.4. Work programme

The costs of past and future work programme may be used to estimate Value. The work programme valuation method, or cost method, relies on the assumption that unless there is evidence to the contrary the permit is worth what a company or joint venture will spend on it.

This method is particularly relevant for permits in the early stages of exploration and for expenditure which is sunk and/or firmly committed as part of a venture budget or as agreed with the government as a condition of holding the permit. Relevant expenditures related to exploration are considered and total expenditure is to be adjusted for company overheads and administrative costs unless a condition of the license. There may need to be an adjustment for risk and the time value of money. Expenditures that are long-dated and historical are typically discounted or not used in the estimation of Value.

6.2.5. Expected monetary value

Expected monetary value ('EMV') is calculated as the success case NPV times the probability of success less the NPV of failure multiplied by the probability of failure. The EMV method provides a more representative estimate of potential value in areas with a statistically significant number of mature prospects within proven commercial hydrocarbon provinces where the chance of success and volumes can be assessed with a

reasonable degree of predictability. However, EMVs are not market valuations and often require discounting to provide a better estimate of market value depending upon project maturity and uncertainty.

The EMV valuation is useful as a relative measure for ranking exploration prospects within a portfolio to make drilling decisions, assessing commercial potential and to demonstrate the commercial attractiveness of a permit, which may influence a buyer or seller.

Where development concepts are sufficiently well defined a Discounted Cash Flow (DCF) of future costs and revenue can be undertaken to estimate the NPV of the success and failure cases.

6.2.6. Market and other factors

Oil prices have historically fluctuated considerably with low prices in recently in around 2016 and again in early-mid 2020. They have since recovered somewhat due to shortages and political tensions and are trading near US\$95/bbl at the time of writing this report (Figure 6-1).



Figure 6-1: Brent spot oil price 2012- July 2022 (US\$/bbl)

When prices are high, for example in 2014 interest in exploration valuations was high and farm-in promotes of two-for-one or greater were being seen for quality acreage with large investment programmes. Since then, there has been a paucity of transactions and anecdotally, RISC has identified that buyers are seeking farm-in promotes at or just above ground floor level.

In response to the market factors, our experience has been that oil and gas companies have slashed their exploration budgets and the value of exploration companies has declined significantly, although there are now some signs that with the recovery in prices, exploration activity is beginning to improve. Gas prices have followed a similar trend with lows in 2020 due to demand limits as a result of covid to prices of over US\$30/GJ recently seen for LNG due to supply concerns from Russia.

With the recovery in prices and increasing exploration activity, we would expect to see an improvement in exploration valuations and farm-in promotes, however this is countered by growing international concerns regarding recessions and climate change which is impacting investor/financier behaviour towards investment in petroleum companies.

Another factor that may increase price is operatorship or a controlling interest. More recently interest in alternative products such as hydrogen and helium, and in opportunities for Carbon Capture and Underground Storage (CCUS) are also coming into consideration. These additional considerations make a like-for-like transaction more difficult to find.

6.3. Analogous transactions

RISC has identified a number of recent transactions for onshore acreage in South Africa that may have similar characteristics to the opportunity evaluated in this report (Table 6-3).

Table 6-3: Summary of recent petroleum transactions, onshore South Africa¹⁸

Brief	Buyer/Investor	Seller/Issuer/Partners	Value (US\$ MM)	Sector	Type	Announced Date	Stake (%)
Industrial Development Acquires 45% Interest in Amersfoort Project in South Africa (limited extent only)	Industrial Development Corp of SA	Kinetiko (MGP)	4.80	Upstream	Asset Transactions	4-Apr-2022	45
Central Energy Fund to acquire 10% Stake in Tetra4 from Renergen Ltd	Central Energy Fund of South Africa	Renergen Ltd	68.69	Upstream	Acquisition	28-Mar-2022	10
PetroSA, iGas and Strategic Fuel Fund to merge	na	CEF (SOC) Ltd	na	Downstream; Midstream; Upstream	Merger	11-Jun-2020	
Total completes acquisition of oil and gas assets In South Africa from Occidental Petroleum	TotalEnergies SE	Occidental Petroleum Corp	400.00	Upstream	Asset Transactions	5-May-2019	

¹⁸ Source: GlobalData database

TotalEnergies website shows assets offshore of Cape Town with no onshore assets mentioned. It is likely that the entry relating to the transaction in 2019 has been mislabeled. As an offshore permit this is not considered to be an analogous transaction.

As the PetroSA, iGas and Strategic Fuel Fund includes significant mid- and down-stream assets it is not considered an analogous transaction. The companies were all subsidiaries of the South African state-owned Central Energy Fund (CEF), this is likely the reason that no price was disclosed.

The Central Energy Fund transaction announced in March 2022 relates to the acquisition of 10% of Renergen Ltd's (Renergen's) Virginia gas development, southwest of Johannesburg. Tetra4 is a subsidiary of Renergen. The US\$69 million price equates to a 100% value of US\$690 million or ca. A\$1,000 million. A more recent announcement¹⁹ revises this assessment to A\$860 million. Renergen operates the Virginia Gas Field to the southwest of Johannesburg (currently under development). The Virginia project is similar in many respects to the MGP (e.g. similar location, scale, low production rates), however, it differs in several major factors, in particular, it has a relatively high helium concentration, ca. 3%. The price of helium is significantly greater than that of methane and contributes significantly to the economics of development. Based on the forecast production of helium and gas from the Virginia project and the prices of helium and gas, RISC estimates that one third of the value of the project is derived from the helium production. Further, with limited global helium production, the uplift is likely to be higher. For the gas component only we estimate that the transaction value would therefore be ca. A\$575 million (0.67 x A\$860 million) on a 100% basis. Given the forecast tightening supply of helium, it's attractiveness could be significantly greater for investors and this would be reflected in a lower contribution from the gas.

A further transaction regarding Renergen was announced on 14 March 2022 whereby Ivanhoe Mines Ltd ('Ivanhoe') would purchase 4.35% of Renergen shares at a 5% discount to the VWAP price, with further investments to raise its equity to 25% and then 55% at a 10% discount on VWAP. A further benefit for Ivanhoe was the right to negotiate an electricity offtake agreement to supply energy from Renergen's gas or solar hybrid power facility for one of its mines. On 15 July 2022 Renergen announced that the conditions for the second and third phase investment had not been met in the stipulated timeframe and had consequently lapsed. The 4.35% interest at a cost of US\$13 million (A\$18.6 million at 0.70US\$/A\$) is equivalent to a 100% value of A\$427 million, or \$286 million for the gas portion, assuming a 67% contribution.

The IDC transaction at US\$4.8 million price for a 45% interest is equivalent to a 100% value of US\$10.6 million, or ca. A\$15.8 million at an exchange rate of USD1.0=AUD0.7. Whilst this seems a considerable discount to Kinetiko's market capitalization (ca. A\$56 million in April 2022). Kinetiko has advised that the investment by IDC is ring-fenced and is limited to up to 80 wells and in time to investments up to 2 years after the start of production. We do not consider that this transaction represents a comparable valuation marker for the full project, but rather as a strategic investment to obtain funds for the proof-of-concept development.

Of the few transactions with which to make comparison, the CEF and Ivanhoe investments in Renergen appear most appropriate. The similarities of Renergen's Virginia Project to the MGP are that they are relatively close, both are producing gas from reservoirs for which these projects are first to be undertaken, both are low-rate gas developments and both will produce to the same market conditions. Where they differ is that the Virginia Project is more mature (Phase 1 under development with commissioning ongoing for the

¹⁹ ASX release by Renergen, 10 August 2022

facilities, Phase 2 in planning) and has a reserve assigned. It will also develop and market helium which will provide a material contribution to the revenue from the project.

We have considered the average of the two Renergen transactions (A\$431 million) as a high side valuation for Kinetiko and have applied a discount of 30% to account for the more advanced stage of development of Renergen's Virginia Project compared with the MGP.

6.3.1. Phefo Power (Pty) Ltd transaction

In April 2022, Kinetiko announced²⁰ that it had secured a ZAR10 million (ca. A\$0.87 million) investment from Phefo Power (Pty) Ltd ('Phefo') for 30 million shares. This effectively values Kinetiko at A\$18.1 million (100% basis), which at a share price of A\$0.029, is substantially below Kinetiko's share price at the time (A\$0.088). We see this as a strategic investment as the Phefo investment provides additional cash to initiate proof-of-concept production to demonstrate longer-term gas production, and, "*..the subscription greatly enhances the percentage of Black Economic Empowerment²¹ (BEE) shareholding in Kinetiko which will expedite the Company's ability to develop its projects in South Africa*"²⁰.

As a recent transaction in Kinetiko shares RISC has used the Phefo transaction as a guide to the mid-range valuation of Kinetiko, however, noting the strategic nature of the transaction for Kinetiko, we have upgraded the implied value by 50%.

6.4. Comparable metrics

The value of such comparisons is improved by the similarity of the entities being compared and the number of entities with which to compare. Unfortunately, there are limited companies in a similar position to Kinetiko with regard to company of operation, state of development and the product being developed. The comparisons are also subject to the diligence with which the resources have been estimated and classified.

In Table 6-4 we have compared Kinetiko's EV/resource with that of Renergen Limited (Renergen) and Tlou Energy Limited (Tlou).

With regard to the comparisons we note:

- For Kinetiko we consider the contingent resources in the sandstone as the resource to use as development is to focus on this resource, thus it will contribute more rapidly to any value. Further, we consider that the CSG resource is a prospective resource. We have included the CSG resource estimated by Gustavson to illustrate the effect this make on the metrics;

²⁰ Kinetiko ASX release: Kinetiko secures South African strategic investor and launches Rights issue to raise A\$4.1m, 20 April 2022

²¹ <https://www.nortonrosefulbright.com/en-za/knowledge/publications/fe87cd48/broad-based-black-economic-empowerment--basic-principles>: Broad-based black economic empowerment (BEE) is a government policy to advance economic transformation and enhance the economic participation of Black people (African, Coloured and Indian people who are South African citizens) in the South African economy.

The purpose of BEE is to bridge the gap between formal and substantive equality to ensure that all people in South Africa fully enjoy the right to equality.

Certain industries require an entity to have a particular percentage of Black ownership or BEE level in order to receive and maintain a licence to operate.

These empowerment requirements are specific to the underlying legislation and relate to the licence to operate.

For example, in terms of the Mineral and Petroleum Resources Development Act, 2002 an entity must have 26 per cent Black ownership in order to be issued with a mining right.

- For Renegen we consider only the estimated value attributable to gas production (after removing the helium considerations as described above) as the suitable metric for comparison. Again we have included the gas plus helium to illustrate the effect this has on the metrics;
- Tlou is developing a CSG resource in Botswana. The company's website also notes that it has environmental approvals for a 20 MW solar power plant and agreements for a hydrogen generation facility. These will weaken any direct comparison with Kinetiko.

Both Renegen and Tlou have had reserves classified however Kinetiko does not. To give due consideration to both the reserves and contingent resources we have used the EV/(reserve plus contingent resource) as the basis for comparison. We note, however, that considerably more value is generally attributed to reserves rather than contingent resources. We also note that contingent resources have several sub-categories within the Petroleum Resources Management System (PRMS) depending on the state of appraisal and the contingencies needed before they could be classified as a reserve. These considerations are not apparent by using the metrics. We also note that, although both conventional reservoirs and CSG can be classified under PRMS, the methods applied are generally different with CSG categorization generally being undertaken using well spacing considerations away from known control (existing wells). The effect of this is particularly apparent in the 1P and 1C categories which are considerably lower than the 2P or 2C figures.

On a 2P plus 2C basis Kinetiko's EV/resource is A\$0.25/Mcf for the sandstone reservoirs only, higher than Tlou (A\$0.03/Mcf) but lower than Renegen (A\$0.42/Mcf) for the gas only case. We note, however, that the uncertainty in the 2C contingent resource estimates has a considerable effect on the valuation:

- For the sandstone reservoirs the difference between Gustavson (2020) and Ratway (2019) was a factor of three. Ratway's contingent resource estimate related only to ER56 and is stated to be a 1C estimate. If Ratway's contingent resource estimate was used, the EV/(2P+2C) estimate for Kinetiko would reduce to approximately A\$0.08/Mcf;
- If Gustavson's sandstone reservoir plus CSG contingent resource was considered, the EV/(2P+2C) estimate would reduce to A\$0.02/Mcf due to the large CSG contingent resource ascribed by Gustavson.

There is a considerable difference between the 2P+2C metrics for Renegen, Kinetiko and Tlou. There are also considerable differences between the companies' projects. Both Renegen and Tlou have projects under development with identified start dates whereas Kinetiko does not, reserves have been ascribed to these projects. Despite this there is a significant difference between the metrics. Contingent resources carry a risk that a project will not proceed to commercial development, with reserves this risk has been removed. It is possible that the market is factoring in a premium for the helium which our simple revenue-based adjustment is not reflecting. Overall, we do not see sufficient similarities to judge the EV/(2P+2C) metric to be a reliable basis for valuation.

Other metrics such as reserve or resource per unit area are sometimes used for comparative purposes, however these are only relevant for similar play types or geographical areas. Although Renegen's Virginia Gas Field is in a similar region to the Mpumalanga Gas Project it is a fractured basement play with no matrix permeability or porosity assumed to exist. It is therefore not considered a suitable comparison on a volume per acre basis. Similarly, Tlou's CSG play is not considered suitable as it is also a different play type.

Table 6-4: Summary of comparative company resources

Company	Element	Reserves (Bcf)			Contingent resources (Bcf) ^{*2}			Corporate data (A\$ MM)			EV/resource (A\$/Mcf)					
		1P	2P	3P	1C	2C	3C	Market Cap.	Debt -Cash	EV	1P	2P	3P	1P+1C	2P+2C	3P+3C
Kinetiko ^{*3}	Sandstone only, Gustav.	0	0	0	93	181	308	47.4	1.3	46.1	na	na	na	0.50	0.25	0.15
	Sst + CSG, Gustavson	0	0	0	1096	2382	4533	47.4	1.3	46.1	na	na	na	0.04	0.02	0.01
	Sandstone, ER56, Ratway	0	0	0	412	na	na	47.4	1.3	46.1	na	na	na	0.11	na	na
Reenergen ^{*4}	Total, SA	222	420	620	132	249	381	432.5	11.0	421.5	1.90	1.00	0.68	1.19	0.63	0.42
	Gas only ^{*1}	215	407	600	128	241	369	-	-	273.9	1.27	0.67	0.46	0.80	0.42	0.28
Tlou ^{*5}	CSG Botswana	0.4	41	427	5	214	3043	16.8	7.9	8.9	22.25	0.22	0.02	1.65	0.03	0.00

*1 Estimated Reenergen EV based on gas production only assuming a 65% contribution.

*2 Kinetiko contingent resources based on Gustavson estimate for sandstones only.

*3 Quarterly activities report, 30 June 2022 and ASX

*4 Quarterly activities report, 31 May 2022 with prices converted from ZAR and ASX

*5 Quarterly activities report, 30 June 2022 and ASX

6.5. Past expenditure and current work commitments

Past expenditure and future commitments reflect value as seen by companies in the acreage. This is based on the premise that the acreage is worth what a company or joint venture is willing to spend on it, and the companies anticipate that they will recoup at least this expenditure in a farmout or transaction on the acreage.

To date, expenditure (sunk costs) by Afro Energy (100% JV) since 2011 totals ca. A\$13.1 million. Expenditure by Afro Energy to FY2019 was ca. A\$8.8 million with commitments (post-2019 renewal) totaling ca. A\$2.9 million (ZAR\$33 million). Actual expenditure post-2019 has therefore exceeded commitments.

Of these past expenditures, direct exploration related expenditure since 2011 totals ca. A\$8.5 million. In the determination of Value, it is common practice to discount long-dated or historical exploration expenditure. In this instance exploration expenditure post-FY2018 amounts to ca. A\$2.8 million. These costs have been borne 100% by Kinetiko. RISC has used these past exploration expenditures for the low estimate of Value.

Exploration activities in the new permit application, ER320, comprise 500 km² of aeromagnetic surveys, 9 to 12 coreholes and, dependent on success, approximately 6 test wells. RISC estimates these activities to cost in excess of A\$2 million. This cost estimate combined with activities in the renewed ER270, ER271 and ER272 permits, are likely to bring the total exploration and appraisal cost to A\$20 million (100% JV).

In RISC opinion, these future work programme costs are warranted and we have used this in conjunction with the sunk costs to support our best estimate of Value.

6.6. Expected monetary value considerations

6.6.1. Historical DCF valuations of MGP

A number of prior valuation reports for the MGP have used a discounted cash flow (DCF) methodology however these have estimated a success case value only, and have not taken the cost and risk of failure into consideration. The estimates are difficult to compare meaningfully due to the different assumptions and reporting conditions used (e.g. before or after tax, risked or unrisked, A\$, US\$ or ZAR, ER56 or all permits, gas price used), however, we note a large variation in the outcomes.

Table 6-5: Historical DCF valuation estimates (100% JV)

Review	Date	Region	Value	Units	Risked/unrisked
RISC	Sep-12	ER56	1,190	US\$mIn gross	Unrisked
VenmynDeloitte	1-Sep-16	ER56	15,718	ZARmIn gross (Before tax)	Unclear
		Total	38,475	ZARmIn gross (Before tax)	Unclear
		Total	28,731	ZARmIn gross (After tax)	Unclear
Ratway	15-Jun-19	ER56	302	US\$mIn gross (After tax)	Unclear
K1 Capital	2020	Total	381	A\$mIn gross (After tax)	Risked

Maxar (2020) considered the DCF method inappropriate for development state of the asset and did not make a DCF assessment.

The Ratway valuation was commissioned by Badimo to support the sale and repurchase process. The report by K1 Capital was promoted by Kinetiko.

After risking, K1 Capital’s model produces just under half the 4.9 Tcf contingent resources.

We note that most of the historical DCF valuations are based on an assumption that development would commence within a few years of the valuation date. This did not occur and discounting the valuations for a later start dates would have lowered the valuation estimates.

6.6.2. DCF valuation of Renergen’s Virginia Gas Project

Renergen’s Virginia Gas Project is located approximately 250 km southwest of Johannesburg. The project is under development with plant commissioning in progress and Renergen recently announcing that gas was successfully introduced to the plant²² in July 2022. The project is significantly more mature than the MGP and in making reserves estimates the company’s independent reserve estimator, Sproule, has estimated reserves and economics using a DCF analysis. Figure 6-2 illustrates the reserves and DCF valuation of the Virginia Gas Project.

Table 1: Summary of Methane and Helium Net Gas Reserves and Net Present Values at Selected Discount Rates

Virginia Gas Project – Specified Prices and Costs

	PDP	PDNP	PUDs	Total Proved (1P)	Probable	Proved + Probable (2P)	Possible	Proved+ Probable+ Possible (3P)
Methane (BCF)	0.89	17.87	196.30	215.08	281.90	406.97	193.12	600.09
Helium (BCF)	0.03	0.60	6.54	7.17	6.40	13.57	6.44	20.00
Net Present Value (MMZAR)								
Undiscounted	477	9,575	111,080	100,121	113,908	214,029	113,485	327,514
5%	265	5,362	55,357	49,121	46,402	95,523	47,653	143,176
8%	203	4,104	39,569	33,647	31,210	64,857	32,576	97,433
10%	174	3,523	32,487	26,561	24,950	51,511	26,245	77,756
15%	128	2,579	21,319	15,225	15,728	30,953	16,714	47,667
20%	101	2,026	15,094	8,835	10,910	19,745	11,599	31,344
30%	72	1,425	8,751	2,293	6,265	8,558	6,532	15,090

Due to rounding certain totals may not be consistent from one presentation to the next.

Figure 6-2: Sproule’s September 2021 reserve estimates and valuation of Renergen’s Virginia Gas Project

Sproule identifies the methane (gas) and helium price with, in 2021, helium being 14 times the price of gas on a volume basis. Based on the reserves and prices we estimate that contribution of the helium to the valuation was approximately one third. This assumes that all capital and operating expenses are equal. Helium is extracted cryogenically, thus the gas is converted to LNG, we have not adjusted for lower capex and opex that may have been an option for the gas (e.g. pipeline gas) if the helium was not extracted.

²² ASX release: Successful introduction of gas to plant, 11 July 2022

However, making the simple ratio adjustment provides a DCF valuation of the methane process of approximately ZAR35 billion (ca. A\$3.0 billion at August 2022) at a 10% discount.

In addition to the 282 Bcf of methane reserves (2P), Sproule identified 241 Bcf of 2C contingent resources and 321 Bcf of 2U prospective resources. Renergen has announced²³ that Phase 2 of the VGP has commenced FEED, with the Phase 2 to be “.. a significantly more substantial ..” project than Phase 1 (2,500 GJ/d LNG).

In volumetric terms the contingent and prospective resources would be expected to triple the valuation based on the 2P reserves alone. Depending on the timing, discounting would erode some of this value, as would accounting for the geological risk of converting the resources to reserves. Synergies between the developments may counter some of this. Overall, we see the 2P reserve valuation by Sproule as a high side estimate with a likely range of A\$5 to 7 billion for the gas reserves.

It is instructive to compare Sproule’s September 2021 NPV10 estimate of ZAR51.5 billion (100% project), ca. A\$4.4 billion, with Renergen’s market capitalisation at the time, ca. A\$250 million. The DCF value represented a 18x mark-up on the market capitalisation at the time.

Similarly, we note that the CEF acquisition of a 10% interest in Renergen in April 2022 represents a 100% project value of ca. A\$1.0 billion, a mark-up of approximately 2x on Renergen’s market capitalisation at the time, ca. A\$475 million.

These observations illustrate the disparity between the theoretical calculations and perceived value.

6.7. DCF valuation for the MGP

RISC did prepare a conceptual development plan for the MGP and undertook several valuations using the discounted cash flow method. We do not consider these are suitable for valuation at this early stage of the field development due to the uncertainties involved:

- Development plan and well spacing;
- Capital costs;
- Operating costs;
- Success of the proof of concept developments and the subsequent developments;
- Resource quantities;
- Gas pricing; and
- Timing of the appraisal and development.

We found the valuations were sensitive to assumptions such as the operating costs and the frequency of workovers for which there was little basis. Given these uncertainties we do not consider these calculations formed a suitable basis for valuation purposes. This is consistent with ASIC RN111.112 which cautions against the use of forward looking statements without reasonable grounds.

²³ ASX release: Phase 2 Virginia Gas Project planning underway, 25 January 2021

7. Declarations

7.1. Terms of engagement

This report, any advice, opinions or other deliverables are provided pursuant to the Engagement Contract agreed to and executed by the Client and RISC.

7.2. Qualifications

RISC is an independent oil and gas advisory firm. All of the RISC staff engaged in this assignment are professionally qualified engineers, geoscientists or analysts, each with many years of relevant experience and most have in excess of 20 years.

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth, Brisbane, Jakarta and London. We have completed over 2,000 assignments in 70+ countries for nearly 500 clients. Our services cover the entire range of the oil and gas business lifecycle and include:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance;
- Exploration/portfolio management;
- Field development studies and operations planning;
- Reserves assessment and certification, peer reviews;
- Gas market advice;
- Independent Expert/Expert Witness;
- Strategy and corporate planning.

The preparation of this report has been managed by Mr Bruce Gunn who is an employee of RISC. Mr Gunn is a member of the Society of Petroleum Engineers and holds a BSc and BSc Hons (Earth Sciences), Flinders University of South Australia, 1973, and 1974 and an MSc (Oceanography), University of Cape Town, 1977. Mr Gunn has over 35 years' experience in the sector and is a qualified petroleum reserves and resources evaluator (QPRRE) as defined by ASX listing rules.

7.3. Standard

Reserves and resources are reported in accordance with the definitions of reserves, contingent resources and prospective resources and guidelines set out in the Petroleum Resources Management System (PRMS) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the American Association of Petroleum Geologists (AAPG), World Petroleum Council (WPC), Society of Petroleum Evaluation Engineers (SPEE), Society of Exploration Geophysicists (SEG), Society of Petrophysicists and Well Log Analysts (SPWLA) and European Association of Geoscientists and Engineers (EAGE), revised June 2018.

This Report has been prepared in accordance with the Australian Securities and Investment Commission (ASIC) Regulatory Guides 111 and 112.

7.4. Limitations

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves/resources, future oil and gas production rates,

the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. While every effort has been made to verify data and resolve apparent inconsistencies, neither RISC nor its servants accept any liability, except any liability which cannot be excluded by law, for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. In particular, we have not independently verified property title, encumbrances or regulations that apply to these assets.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

7.5. Independence

RISC makes the following disclosures:

- RISC is independent with respect to Kinetiko and confirms that there is no conflict of interest with any party involved in the assignment.
- Under the terms of engagement between RISC and Kinetiko, RISC will receive a time-based fee, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.
- Neither RISC Directors nor any staff involved in the preparation of this report have any material interest in Kinetiko or in any of the properties described herein.

7.6. Copyright

This document is protected by copyright laws. Any unauthorised reproduction or distribution of the document or any portion of it may entitle a claim for damages. Neither the whole nor any part of this report nor any reference to it may be included in or attached to any prospectus, document, circular, resolution, letter or statement without the prior consent of RISC.

7.7. Consent

RISC has consented to this report, in the form and context in which it appears, being included, in its entirety, in the Notice of Meeting. Neither the whole nor any part of this report nor any reference to it may be included or attached to any other document, circular, resolution, letter or statement without the prior consent of RISC.

8. List of terms

8.1. Abbreviations

The following table lists abbreviations commonly used in the oil and gas industry and which may be used in this report.

Abbreviation	Full Term
1P	Proved
2P	Proved plus Probable
3P	Proved plus Probable plus Possible
A\$	Australian dollars
API	American Petroleum Industry
Bbl(/d)	US barrels (per day)
bcf	Billion (10 ⁹) cubic feet
bwpd	Barrels of water per day
CBM	Coal Bed Methane (see also CSG)
CCUS	Carbon Capture and Underground Storage
CO ₂	Carbon dioxide
CSG	Coal Seam Gas (see also CBM)
DAF	Dry Ash Free
DCF	Discounted Cash Flow
DST	Drill Stem Test
EMV	Expected Monetary Value
ER	Exploration Right
EUR	Expected ultimate recovery
EV	Enterprise Value
FBHP	Flowing Bottom Hole Pressure
FDP	Field Development Plan
FTHP	Flowing Tubing Head Pressure
GIIP	Gas Initially In Place
GJ	Gigajoules (10 ⁹ J)
JV(P)	Joint Venture (Parties)
km ²	Square kilometres
kPa	Kilopascal
LNG	Liquefied Natural Gas
m	Metres
mD	Millidarcies
MDT	Modular Dynamic Tester
mKB	Metres below Kelly Bushing
mGL	Metres below Ground Level
MGP	Mpumalanga Gas Project
MJ	Megajoules (10 ⁶ J)
MI (/d)	Megalitres (per day)
MMscf(/d)	Million standard cubic feet (per day)
MPa	Megapascal
Mscf(/d)	Thousand standard cubic feet (per day)
mSS	Metres subsea
MW(-h)	Megawatt (hour)
NPV	Net Present Value
OIIP	Oil initially In Place

Abbreviation	Full Term
PJ	Petajoules (10^{15} J)
PL	Production Lease
psi (a or g)	Pounds per square inch pressure (absolute or gauge)
RISC	Resource Investment Strategy Consultants
RT	Rotary Table or Real Terms, depending on context
scf	Standard cubic feet (measured at 60 F and 14.696 psia)
scm	Standard cubic metres (measured at 15 C and 101.325 kPa)
SPE	Society of Petroleum Engineers
SPE-PRMS	Society of Petroleum Engineers Petroleum Resources Management System
SUG	System Use Gas (fuel and flare)
Tcf	Trillion (10^{12}) cubic feet
TJ	Terajoules (10^{12} J)
UR	Ultimate Recovery
US\$	United States dollars
ZAR	South African rand

8.2. Definitions

The following table lists some definitions for terms commonly used in the oil and gas industry and which may be used in this report.

Term	Definition
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
Expectation	The mean of a probability distribution.
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively if probabilistic techniques are used.
Possible Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.

SCHEDULE 4 – TERMS OF PERFORMANCE OPTIONS

<p>1. Entitlement</p>	<p>Subject to paragraph 13 below, each Performance Option entitles the holder ("Option Holder") to subscribe for 1 fully paid ordinary Share in the Company upon exercise of the Performance Option.</p>
<p>2. No cash consideration</p>	<p>The Performance Options will be granted or no cash consideration.</p>
<p>3. Vesting and Exercise Period</p>	<p>Each Performance Right will only vest and become exercisable when the holder completes 12 months of service under the Executive Services Agreement ("Vesting Condition").</p> <p>The Performance Options are exercisable at any time after the Vesting Condition has been satisfied and on or prior to the Expiry Date ("Exercise Period").</p>
<p>4. Exercise price</p>	<p>Subject to paragraphs 10 and 12 below, the amount payable upon exercise of each Performance Option is \$0.10 ("Exercise Price").</p>
<p>5. Expiry date</p>	<p>Each Performance Option will expire at 5.00pm (AWST) on 31 July 2024 ("Expiry Date"). A Performance Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.</p>
<p>6. Notice of Exercise</p>	<p>The Performance Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Performance Option certificate ("Notice of Exercise") and payment of the Exercise Price for each Performance Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.</p>
<p>7. Exercise Date</p>	<p>A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Performance Option being exercised in cleared funds ("Exercise Date").</p>
<p>8. Timing of issue of Shares on exercise</p>	<p>(a) Within 15 Business Days after the later of the following:</p> <ul style="list-style-type: none"> (i) the Exercise Date; and (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information, <p>but in any case no later than 20 Business Days after the Exercise Date, the Company will:</p> <ul style="list-style-type: none"> (i) allot and issue the number of Shares required under these terms and conditions in respect of the number of Performance Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy

	<p>section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and</p> <p>(iii) if admitted to the Official List at the time, apply for Official Quotation on ASX of Shares issued pursuant to the exercise of the Performance Options.</p> <p>(b) If a notice delivered under paragraph 7(a)(iv) above for any reason is not effective to ensure that an offer for the sale of the Shares does not require disclosure to investors, the Company must no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.</p>
9. Shares issued on exercise	Shares issued on exercise of the Performance Options rank equally with the then issued shares of the Company.
10. Quotation of Shares issued on exercise	If admitted to the Official List of ASX at the time, the Company will apply for quotation of the Shares issued upon the exercise of the Performance Options.
11. Reconstruction of capital	If at any time the Company's issued capital is reconstructed, all rights of the Option Holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules at the time of the reconstruction.
12. Participation in new issues	There are no participation rights or entitlements inherent in the Performance Options and the Option Holder will not be entitled to participate in new issued of capital offered to Shareholders during the currency of the Performance Options without exercising the Performance Options.
13. Adjustment for rights issue	If the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders, the Exercise Price will be reduced in accordance with the formula set out in Listing Rule 6.22.2.
14. Adjustment for bonus issues of Shares	<p>If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):</p> <p>(a) the number of Shares which must be issued on the exercise of a Performance Option will be increased by the number of Shares which the Option Holder would have received if the Option Holder had exercised the Performance Option before the record date for the bonus issue; and</p> <p>(b) no change will be made to the Exercise Price.</p>
15. Unquoted	The Company will not apply for quotation of the Performance Options on ASX.
16. Transferability	The Performance Options are not transferrable.
17. Compliance with Laws	If the Corporations Act, the Listing Rules or the Constitution conflicts with these terms and conditions, or these terms and conditions do not comply with the Corporations Act, the Listing Rules or the Constitution, the holder

	authorises the Company to do anything necessary to rectify such conflict or non-compliance, including but not limited to unilaterally amending these terms and conditions.
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If you are attending the meeting
in person, please bring this with you
for Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **3.00pm (WST) on Monday, 28 November 2022**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at <https://investor.automic.com.au/#/login>

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

meetings@automicgroup.com.au

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBCHAT: <https://automicgroup.com.au/>

PHONE: 1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

