

QUARTERLY ACTIVITIES REPORT ENDING 30 JUNE 2023

HIGHLIGHTS

- **Health, Safety and Environment**

No accidents, injuries or health or environmental incidents have been reported during the period. Safety meetings are held prior to every shift on the wellsite. The Regulator (Petroleum Agency of SA) audited our worksite during May and all actions are closed.

- **Regulatory**

Afro Energy received Exploration Right renewals for ER12/3/272 on 16 February 2023, and for Block ER12/3/271 on 20 February 2023, and for ER23/3/270 on 12 June 2023. The requirement for the return of the work program and post-relinquishment maps (reduced by 20% refer figure 1) for all three blocks has been fulfilled. The signing ceremony for the three renewals of Rights was held at the new PASA offices in Century City on 28 June 2023.

- **Exploration Success and Acceleration**

Early in the second quarter, the Company doubled our drilling efforts to include a second coring rig working alongside the first. Siting the first two core holes a few km south of Secunda and within meters of the Lily Gas Line, and the following two locations equidistant from Secunda (14km) and Tutuka Power Station (15km) was a deliberate attempt to attract these two markets for the produced gas.

The Company averaged a gassy-sediment cumulative cut in these boreholes of 130m, with a high of 166m, which is a very high gas content in such shallow wells (average depth 303m). Subtracting the dolerites and other non-carbonaceous intersects, this result shows an exceptionally high gas content which is a highly promising indicator for the productivity of the block in general.

- **South African Strategic Investor Funding**

The **Industrial Development Corporation of South Africa (IDC)** advanced first funds towards its JV with Afro Energy to develop gas fields to produce gas for industrial, commercial, transportation or power generation applications. IDC advanced R16,300,000 as part of its R70,000,000 commitment towards its joint venture with Afro Energy (Pty) Ltd (Afro Energy), the proposed 100% subsidiary of Kinetiko. The JV or SPV is called **Afro Gas Development SA** and a Steering Committee (SteerCom) and a Board established to drive the JV. The scope of this SPV is defined and ringfenced around certain exploration, administrative and infield operations to result in the gain from production of approximately twenty wells. Further talks are currently being held with the IDC to move the conceptual thinking into a substantially increased scope for real participation in the energy paucity in South Africa. IDC is a state-owned development finance institution of the South African government mandated to promote economic growth and industrial development in South Africa.

- **South African Development and Supply Partnerships**

Kinetiko executed a Memorandum of Understanding (MOU) with **FFS Refiners** to finalize a Gas Supply Agreement. FFS Refiners is a leading supplier of industrial heating fuels in South Africa

and is seeking to supplement its industrial fuels business with the supply of liquified natural gas (LNG). Kinetiko and FFS Refiners intend to develop a proof-of-concept gas production trial, that if successful can be scaled into a long-term supply arrangement. The MOU provides for the potential of FFS Refiners to purchase natural gas produced pursuant to a binding Gas Supply Agreement.

Kinetiko executed a Letter of Intent (LOI) with **Grüner Energy**, a South African owner and operator of energy assets in Africa, to conclude a gas development and supply agreement. Kinetiko and Grüner Energy intend to co-fund the development of a proof-of-concept gas production trial, that if successful, can be scaled. The LOI provides for Grüner Energy to purchase natural gas produced for the gas development and supply agreement.

- **Tenure Applications**

Kinetiko contracted **SLR Consulting** (SLR), global leaders in environmental and advisory solutions, to lead the process for an application process for ER320, which should the application to be granted will provide a significant increase of approximately 2,383km² to the existing substantial granted land position.

The work towards the environmental approval which will support the application for ER320 is underway and a status presentation was made to the Environmental Team at PASA on 27 June 2023. Public meetings in and near the block are scheduled for 2nd and 3rd of August at four sites: Frankfort, Cornelia, Vrede and Standerton (two meetings per day).

- **Corporate restructure / merger**

Kinetiko is proceeding with the Restructure of Afro Energy (Pty) Ltd (Afro Energy). However, as a result of the Waiver Application not being approved by the ASX, the Company was required to reconvene a meeting of its Shareholders which was successfully concluded to refresh the Restructure approvals.

- **Cash**

As of 30 June 2023, Kinetiko is in a strong financial position with no debt and approximately \$5.5m in available funds comprising \$3.5m in cash, in addition to a further \$2m of proportionate funding advanced to Afro Gas Development Pty Ltd to commence joint venture with the Industrial Development Corporation of South Africa (“IDC”) who has also contributed approximately as announced 5th April 2023.

INTRODUCTION

Energy exploration company Kinetiko Energy Limited (ASX:KKO) (“Kinetiko” or “Company”) is pleased to report on corporate developments and operational activities during the June 2023 quarter at Tenements ER12/3/270, ER12/3/271, ER12/3/272 and ER12/3/320. The activities are conducted through Afro Energy (Pty) Ltd (“Afro Energy”) on closure of the merger, a 100% subsidiary of the Company.

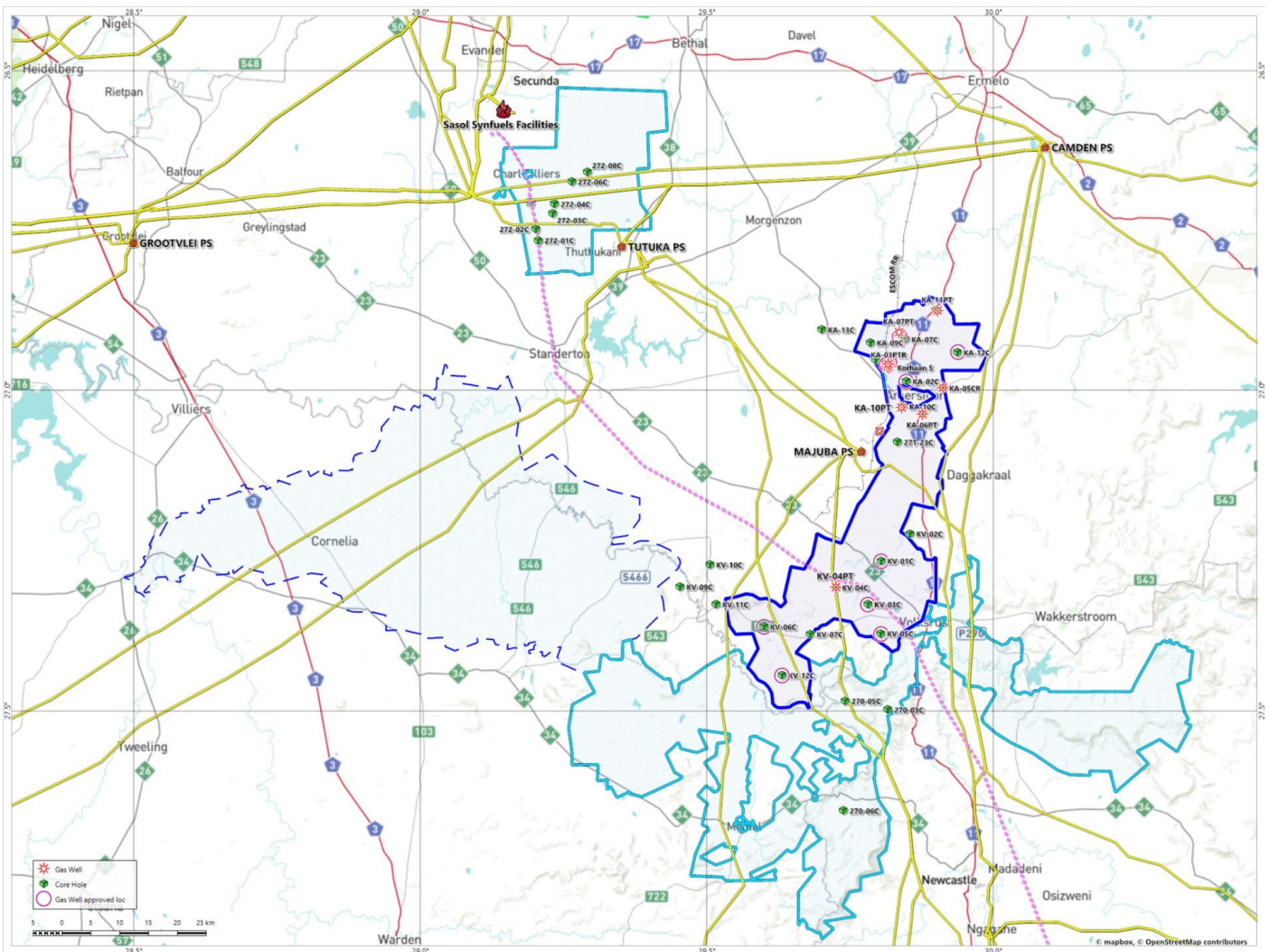


Figure 1 – Afro Energy Exploration Rights

EXPLORATION UPDATE

The Company entered a new exploration block (ER272) during the last quarter with very encouraging results.

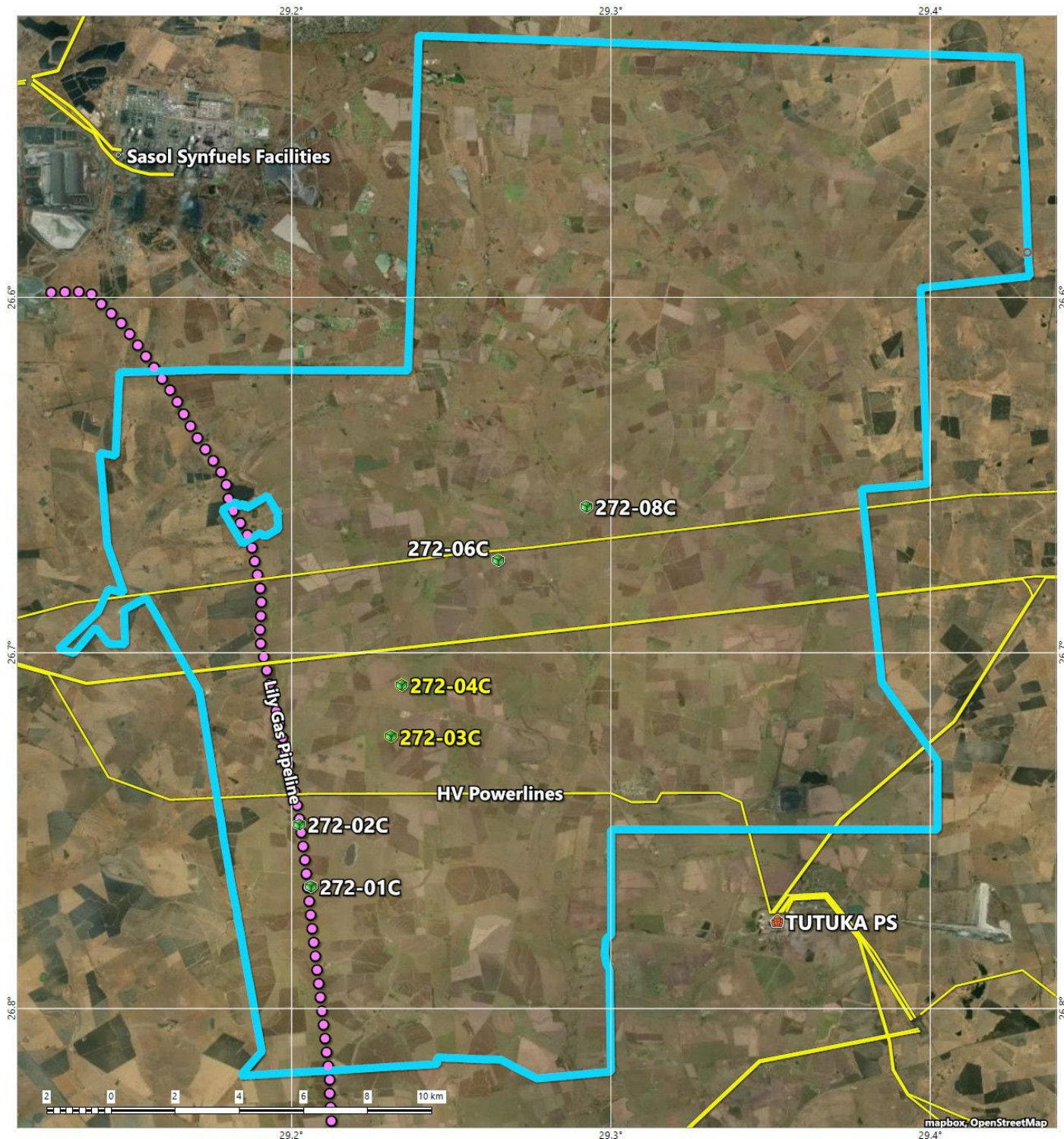


Figure 2 – ER272 Core Sites drilled during Q2-23

- **Core Hole 272-01C**

Exploration core hole 270-01C spudded on 04 May 2023 and hit Terminal Depth (TD) on 30 May at 299.5m. Borehole 272-01C was the first gas exploration hole in Block ER272, located less than 100m from the Lily Gas Pipeline, due south of Secunda, and results established a substantial cumulative sandstone gas interval of 101m.

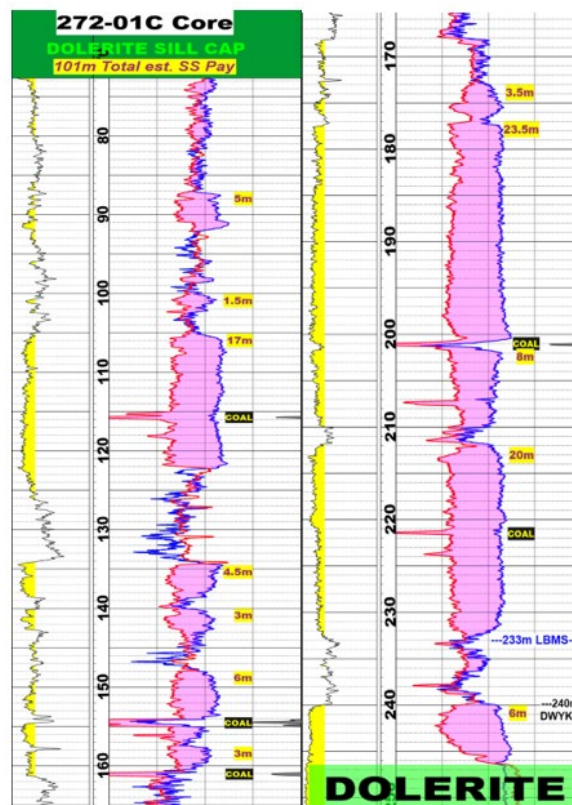


Figure 3 – Log of 272-01C



Figure 4 - Core well 270-01C visible gas emissions observed from representative core samples at depths between 155-166m

- **Core Hole 272-02C**

Core well 270-02C, spudded on 08 May 2023 and hit Terminal Depth (TD) on 05 June at 278m. This borehole was drilled simultaneously with 272-01C and logs showed a gassy sand response of 116m cumulative thickness. The logging results from core well 272-02C established greater sandstone intervals compared to core well 272-01C of 117m. Figure 5 shows (pink shading) identified by gas effect of cross-over between the neutron porosity curve (blue line on right track) and the density porosity curve (red line on right track).

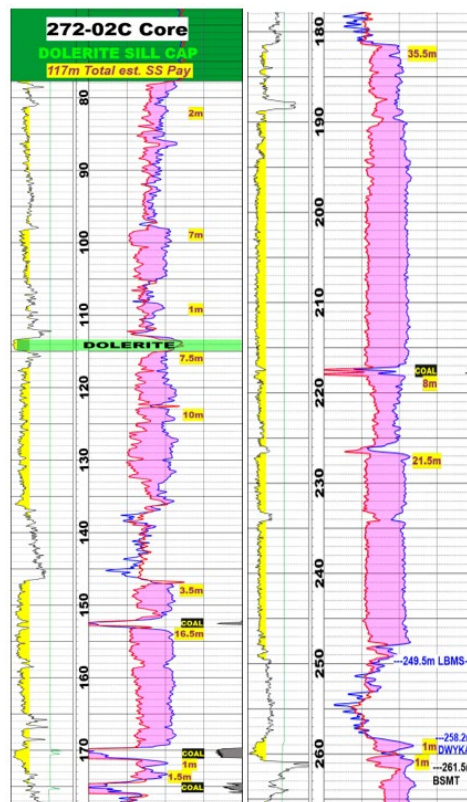


Figure 5 – Log of 272-02C



Figure 6 – Site layout at 272-02C location

• **Core Hole 272-06C**

Exploration core hole 272-06C spudded on 09 June 2023 and hit Terminal Depth (TD) on 27 June at 350m. Borehole 272-06C was sited to the North-East of 272-02C to explore the range of unexplored land between the Sasol and Seriti mining areas. Log results established a substantial cumulative sandstone gas interval of 166m. As a percentile of total non-igneous sediments cut during drilling (178m) this result represents a new record for Kinetiko Energy in terms of potential production contribution.

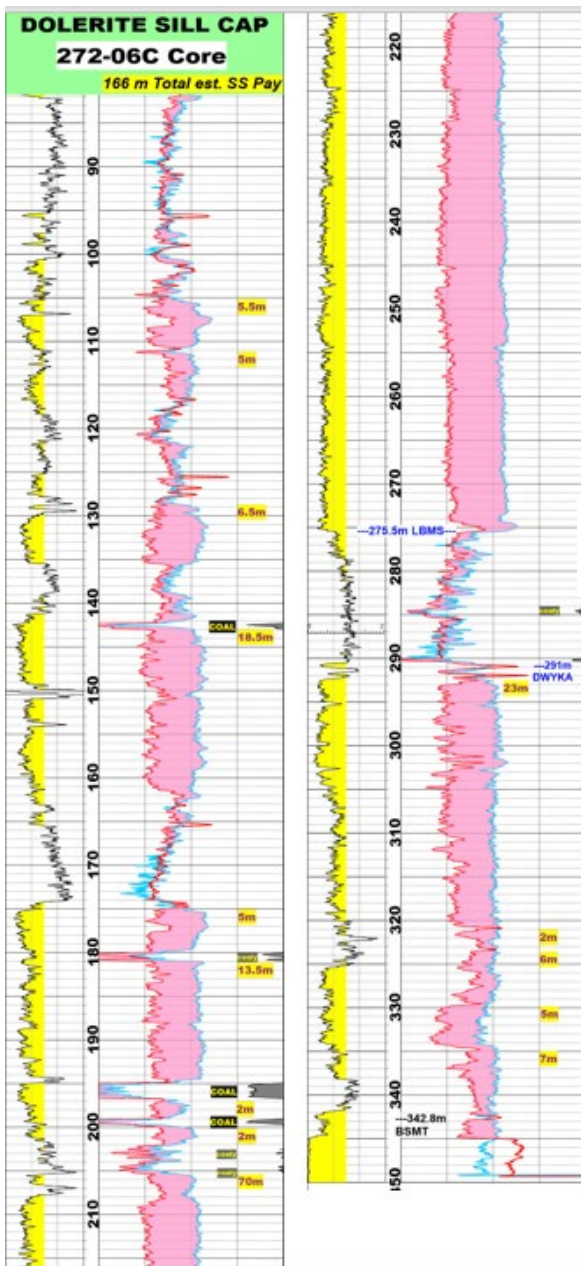


Figure 7 – Log of 272-06C



Figure 8 - Location of 272-06C with Sasol's Secunda plant in the background



Figure 9 – Full core set from core hole 272-06C

- **Core Hole 272-08C**

Exploration core hole 270-08C spudded on 09 June 2023 and hit Terminal Depth (TD) on 26 June at 284m. Borehole 272-01C was the first gas exploration hole in Block ER272, located less than 100m from the Lily Gas Pipeline, due south of Secunda, and results established a substantial cumulative sandstone gas interval of 134m.

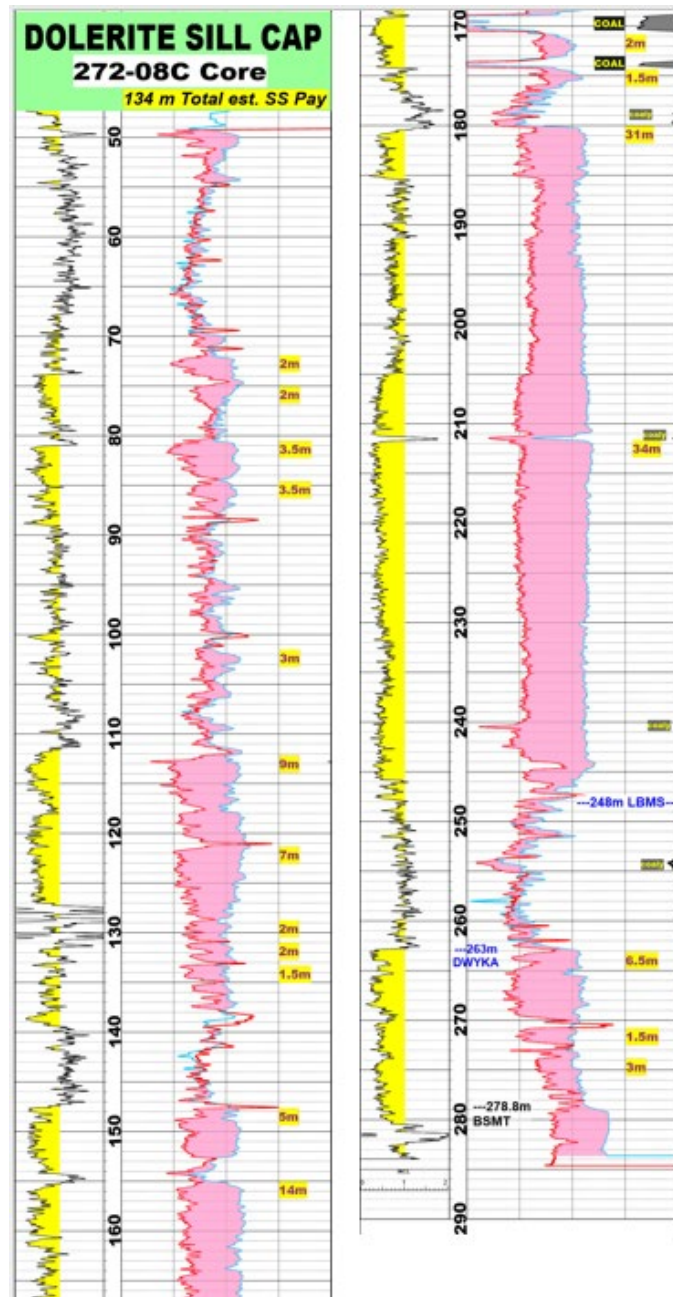


Figure 10 – Log of 272-08C



Figure 11 – Gas-bearing cores from 272-08C



Figure 12 – Rigging up for logging on 272-08C



Figure 13 – Full core set for core hole 272-08C

Update on ER272 coring activities

Early in this quarter, the Company doubled our drilling efforts to include a second coring rig working alongside the first. Siting the first two core holes a few km south of Secunda and within meters of the Lily Gas Line, and the following two locations equidistant from Secunda (14km) and Tutuka Power Station (15km) was a deliberate attempt to attract these two markets for the produced gas.

The Company averaged a gassy-sediment cumulative cut in these boreholes of 130m, with a high of 166m, which is a very high gas content in such shallow wells (average depth 303m). Subtracting the dolerites and other non-carbonaceous intersects, this result shows an exceptionally high gas content which is a highly promising indicator for the productivity of the block in general.

Planning

- Negotiations and planning towards a “Proof of Concept” infield power generating plant have advanced. A 1.2MW gas-turbine genset has been identified for rental and the technical plan is being handled by expert advisors. SLR is controlling the environmental aspects, like water tank clearing and produced water handling.

The intention is to produce power in intervals over a three-day period to prove that gas competency to drive power production.

- An NDA was signed with both Sasol and CEF leading to further technical discussions, displaying their corporate interest in the Company’s project. They are busy evaluating the potential for indigenous gas provision to the Secunda plant as part of the transition from CTL to GTL. A meeting was held between Kinetiko and Sasol Gas Procurement in JHB in late June to advance the level of cooperation and planning towards eventual production in Block ER272.
- Kinetiko Energy continues expanded negotiations with the IDC towards increased scope and gas output planning for further joint venture.

New Exploration Plans

- Early in Q3 2023 we intend to continue with our intrusive exploration of block ER272 with two more core holes (totaling six) before probably moving the rigs back into block ER270 for further exploratory coring projects.
- Afro Energy is in possession of ten approved, undrilled wellsite permits for production or perm test well drilling: five near Amersfoort and four to the west of Volksrust. We intend to drill all of these wells during the 2023/4 work plan, whilst seeking approval for more wellsites in block ER271. Tender documents for drilling services and goods were distributed at the end of Q1 2023 and were received and evaluated during Q3.

Exploration Expenditure

Expenditure has been incurred during the second quarter of 2023 in the amount of approximately **ZAR 17,16 million (A\$1,375M)** to cover, inter alia:

- Drilling services
- Wellsite equipment

- Contractor fees
- Waste Management solutions
- Plant hire
- Environmental auditing
- Salaries, wages and day-rates
- Legal advice
- Office / G&A

This represents total spend towards SA suppliers and employees during this quarter.

Employment

Kinetiko Energy employs local community members, labourers, plant, equipment and consumables in every possible opportunity following our policy to localise our spend wherever we can find quality goods and services at competitive rates. We also encourage our suppliers to do the same wherever they can, given the limitations of trained and qualified operators whom they utilize.

Kinetiko Energy has employed South African specialist companies for various exploration activities during the most recent annum. Some of the major suppliers are:

Company	Application
SLR Consulting	Environmental Practitioners
Infin Drilling (Pty) Ltd	Core drilling rig, casing and related services
Franklin Electrical / LOG	Supply and maintenance of surface and downhole equipment
Akhona Oil and Gas Services	Supply of Cementation Engineering and HSE Personnel
Cliffe Dekker Hofmeyr	Legal services

Numerous other businesses and individuals in Mpumalanga and Gauteng have benefited from our presence and procurement requirements during 2023.

INFORMATION REQUIRED BY LISTING RULE 5.4.1

During the Quarter ended June 2023, the Company had cash outflows for exploration and evaluation of \$539k. \$478k was in relation to the company spudding core wells and logging operations, \$21K advanced to the company's drilling contractor for equipment retro fit to advance drilling program, \$8k relating to environmental impact studies and with \$32k relating to other sundry exploration costs.

During the June 2023 quarter, \$89k was paid to directors and their associates for directors' fees, company secretarial fees, corporate fees and legal fees

TENURE STATUS as at 30th June 2023

Tenement reference	Nature of interest
ER320 (TCP 106)	Application for conversion from Technical Cooperation Permit to Exploration Right has had to be re-started, after recent advice from PASA. Application is expected to be started by re-performing the Scoping Document, beginning in Q3 2023.
ER 270	Exploration Right granted on 03 September 2019. Renewal award received on 16 Feb 23.
ER 271	Approval granted by Dept of Mineral Resources (DMR) on 19 August 2021 for consolidation with ER38 and ER56. Renewal award received in June 23. Production Right support tenders have been requested.
ER 272	Exploration Right granted on 21 August 2019. Renewal award received on 16 Feb 23.

Competent Persons and Compliance Statements

Unless otherwise specified information in this report relating to operations, exploration and related technical comments have been compiled by CEO, Mr. Nick de Blocq, who has over 34 years' experience in energy minerals exploration and production, including various executive roles. Mr. de Blocq consents to the inclusion of this information in the form and context in which it appears.

This announcement is available to view on the Company's website www.kinetiko.com.au

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

- ENDS-

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

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About Kinetiko Energy and Afro Energy

Kinetiko Energy is an Australian gas explorer focused on advanced shallow conventional gas and coal bed methane (CBM) opportunities in rapidly developing markets in Southern Africa. South Africa has extensive gassy coal basins, extensive energy infrastructure and a growing gas demand, making it an attractive area for investment. The Company has a large potential exploration area, of which approximately 7000km² is granted and being explored.

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

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Appendix 5B

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

Name of entity

KINETIKO ENERGY LIMITED

ABN

45 141 647 529

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(122)	(505)
(e) administration and corporate costs	(204)	(1,121)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	48	76
1.5 Interest and other costs of finance paid	(1)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – net GST and VAT (paid) / refunded	(60)	(71)
1.9 Net cash from / (used in) operating activities	(339)	(1,625)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities – funds advanced to AGDSA Project	-	(1,678)
(b) tenements	-	-
(c) property, plant and equipment	(4)	(130)
(d) exploration & evaluation	(539)	(1,865)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Loans to other entities/individuals	(2)	(26)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(545)	(3,699)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,194
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1)	(72)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(250)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(1)	7,872

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,642	1,347
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(339)	(1,625)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(545)	(3,699)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1)	7,872

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(198)	(336)
4.6	Cash and cash equivalents at end of period	3,559	3,559

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,559	4,642
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,559	4,642

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	89
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

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

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

8. Estimated cash available for future operating activities	\$A'000
8.1	(339)
8.2	(539)
8.3	(878)
8.4	3,559
8.5	-
8.6	3,559
8.7	4.05
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer: N/A
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer: N/A

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

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

Answer: N/A

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

Compliance statement

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

Date: 27th July 2023

Authorised by the Board

Notes

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