

QUARTERLY ACTIVITIES REPORT ENDING 31 DECEMBER 2023

HIGHLIGHTS

• Health, Safety and Environment

- No accidents, injuries, health or environmental incidents have been reported during the period.
- Safety meetings are held prior to every shift on the well site.
- The Regulator (Petroleum Agency of SA) visited our worksite during the quarter and all commentary was positive.
- A SHEQ Officer is planned to be appointed prior to the next drilling phase.
- By the end of 2023 the Company recorded over 30,000 person-hours since recommencement of drilling without a reportable safety incident.

• Exploration Update and Next Steps

- The Company contracted Infin Drilling to conduct drilling for five appraisal production wells in the Volksrust region south of ER271 and northern ER270. The wells, set to begin in early Q2 2024, target a geological region between previously explored areas where the Company's core wells showed promising results.
- These wells aim to test the southern region of ER271 and northern ER270 for the potential establishment of well clusters, aligning with the IDC joint venture for South Africa's largest onshore LNG gas production project.
- The proximity to the Lily gas pipeline offers infrastructure possibilities. Extended flow rate testing of these wells may lead to increased gas reserves and improved economic feasibility.
- The Company is also progressing in obtaining a Production Right over ER271, with the environmental impact assessment expected to be completed and submitted within Q2 2024.
- Additionally, the grant of ER320, covering a 2,383km² area, is anticipated to contribute substantially to the Company's gas resources and reserves, with the environmental impact assessment expected to be completed within Q2 2024 and regulatory assessment and granting estimated for the end of 2024.

• Strategic Changes in Leadership

- Mr. Robert Scharnell, an experienced oil and gas executive with over 30 years of experience at Chevron, has been appointed as a Non-Executive Director (**NED**) to enhance the Company's leadership structure and drive commercialisation objectives.
- The appointments coincide with the departure of longstanding directors, Mr. Geoff Michael and Mr. Tom Fontaine, who contributed significantly to the Company since its IPO.

in 2011. The new board composition reflects Kinetiko's strategic emphasis on advancing energy transition solutions for South Africa and exploiting gas projects in the region.

- **Cash**

As of 31 December 2023, Kinetiko is in a strong financial position with no debt and approximately **\$3.92m** in available funds comprising \$0.94m in cash, in addition to a further \$1.66m of proportionate funding advanced to Afro Gas Development Pty Ltd to commence a joint venture with the IDC, who, in addition, has also contributed approximately \$1.32m.

Introduction

Kinetiko Energy Ltd (ASX: KKO) (Kinetiko or the Company) is developing an energy transition solution for South Africa focused on commercialising advanced shallow conventional gas projects in the Mpumalanga Province. It is pleased to provide the following update on its onshore gas exploration and production development activities during the December 2023 quarter.

Exploration update

Appraisal Production Well Drilling: ER271

The Company recently awarded a drilling contract to Infin Drilling to deliver five appraisal production wells in the Volksrust region to the south of ER271 and Northern ER270 (Figure 1). Casing and cementation hardware is being procured as imported content. These wells, scheduled to be commenced in early Q2 2024, are targeting a geological region in between explored areas where some of the Company's most gassy core wells were drilled over the last 12 months. The superior sample analysis results from core wells to the south (270-03C, 270-05C, and 270-06C) achieved gas desorption rates around 10m³/t and gas pay zones of approximately 150m. Slightly to the north, desorption testing on samples achieved 14m³/t in the slightly shallower mid-block area, with stratigraphical gas-cuts in excess of 130m. The planned wells are also proximate to the Lily gas pipeline, potentially providing available infrastructure for local off-takers or infield LNG plants for virtual pipelines.

The location of the five appraisal production wells are designed to be spatially diverse to test the southern region of ER271 and potentially establish the suitability for clusters of hundreds of wells that could form part of the heads of agreement announced with the IDC (refer ASX announcement dated [22 August 2023](#)) to co-develop South Africa's largest onshore LNG gas production project. In addition, programmed extended flowrate testing of the appraisal production wells will potentially enable the certification of increases in gas reserves and improved economics of the Company's commercial feasibility modelling.

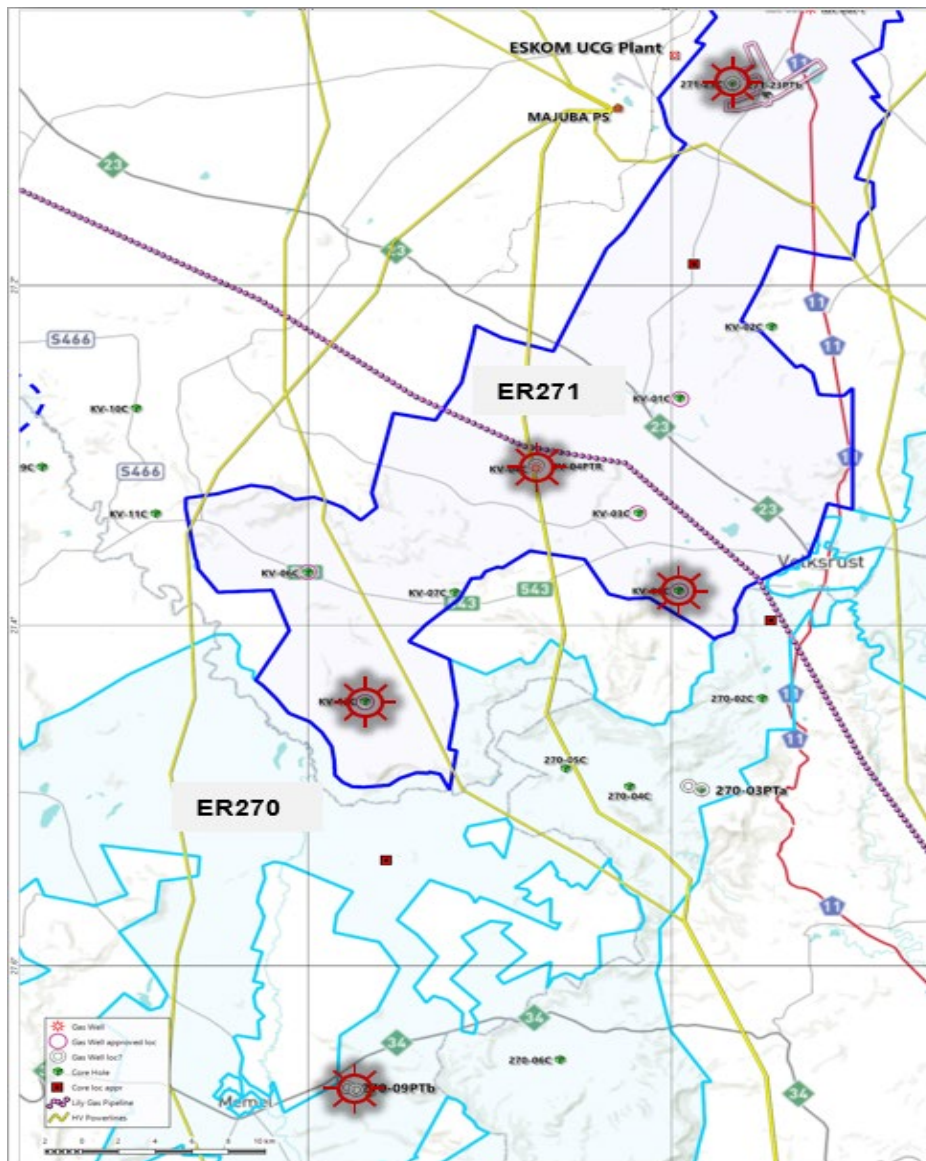


Figure 1: Map showing the locations of the appraisal production well sites in southern ER271 and northern ER270

Ongoing Core Well Drilling in ER270

In early November, our Technical and Financial teams convened in Cape Town to strategise the exploration and development agenda for 2024/25 and allocate a funding budget.

Following a successful campaign in ER272, core well drilling returned to ER270 and commenced work on two core holes in the final quarter of 2023, yielding mixed outcomes. Despite maintaining a 100% success rate with encouraging gas shows in both core holes 270-02C and 270-09C, both core wells fell short of reaching the planned Total Depth (TD).

Corehole 270-02C encountered difficulties reaching the expected TD due to cave-ins from deep-running dolerite layers. In addition, we were unable to conduct logging to the bottom due to caving, which hindered the lowering of tools and posed a risk of losing wireline strings. Nonetheless, the acquired data remains invaluable for constructing geological cross-sections and understanding local stratigraphy

up to approximately 420m depth.

In October, we initiated drilling of the sixth core hole in Block 270 at site 270-09C, located due east of the town of Memel. This marks our inaugural core hole in the Free State Province.

Core hole 270-09C has reached a depth of 691.7m and has been temporarily halted for the annual shut-down. A challenge has arisen with this hole, as a point of metallic resistance has been detected between 60m and 70m. Efforts will be made in 2024 to mill through this section in order to facilitate the passage of logging tools for data collection before resuming drilling operations. Currently, there is no indication of an imminent TD, and if feasible, drilling will continue until evidence of Karoo Structure tillites is encountered.

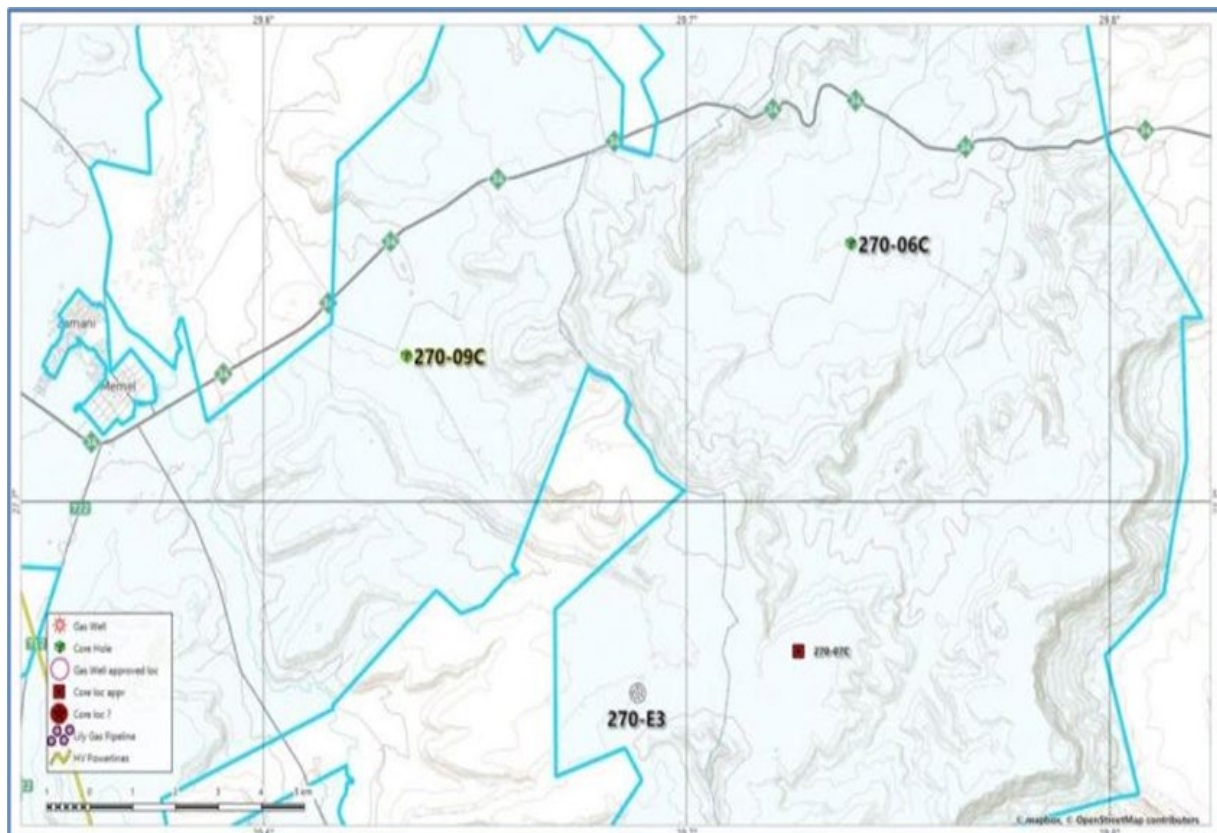


Figure 2: Core site 270-09C drilled during Q4-23



Figure 3: 270-09C drill site near Memel, FS.



Figure 4: Gassy response from core sample at about 140m

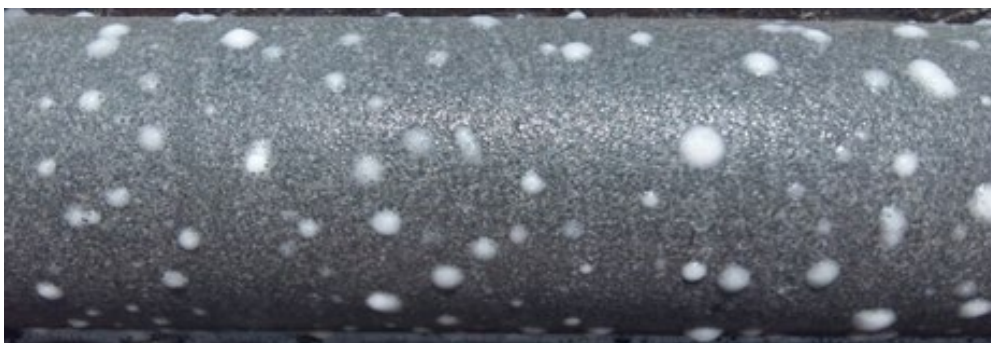


Figure 5 – Gas bubbles on a core sample from ~600m

Production Right Progress

The Company continues progressing its application for a Production Right over ER271. The environmental impact assessment is well under way, with leading environmental consultants WSP anticipating having their report completed and submitted within Q2 2024. The processing and grant of the Production Right by South African regulators is anticipated to take about 7-8 months, enabling the production right to be in place prior to the planned first commercial production early in 2025 from the Amersfoort production cluster as part of the first IDC joint venture.

Re-application of ER320 Progress

ER320 covers an area of 2,383km² and will increase the exploration acreage of the Company by over 60%. Given the contiguous nature of the geology that has been drilled over significant portions of the granted exploration rights, the Company anticipates that ER320 will add substantially to existing gas resources and reserves. The environmental impact assessment to support the application is progressing and anticipated to be completed and submitted within Q2 2024, with the application then estimated to be assessed and granted by the South African regulators within Q4 2024.

Information Required by Listing Rule 5.4.1

The Company had cash outflows for exploration and evaluation incurred during the second quarter of the 2024 financial year in the amount of approximately **ZAR 5.01 m (A\$418k)** to cover, inter alia:

- Drilling services
- Wellsite equipment
- Contractor fees
- Waste Management solutions
- Evaluation
- Environmental auditing
- Salaries, wages and day-rates
- Landowner Engagement
- Tenement Renewal Fees

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

During the December 2023 quarter, payments totaling approximately \$178k were paid to directors and their associates for directors' fees, company secretarial fees, corporate fees, capital raising fees and legal fees.

Commitment to Domestic Employment

Kinetiko employs local community members, labourers, plant, equipment, and consumables in every possible opportunity following our policy to localise our spending wherever we can find quality goods and services at competitive rates.

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

Company	Application
SLR Consulting	Environmental Practitioners
WSP-Golder	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.

Tenure Status as at 31 December 2023

<u>Tenement reference</u>	<u>Nature of interest</u>
ER320 (TCP 106)	Application for conversion from Technical Cooperation Permit to Exploration Right has had to be re-started, after recent advice from PASA. The application was started in Q4-23 by re-building the Scoping Document.
ER 270	Exploration Right granted on 03 September 2019. Renewal granting letter received on 16 Feb 23. Deed of Renewal signed on 28 June 2023 – valid to 27 June 2025.
ER 271	Approval granted by Dept of Mineral Resources (DMR) on 19 August 2021 for consolidation with ER38 and ER56. Renewal granting letter received on 20 June 23. Deed of Renewal signed on 28 June 2023 – valid to 27 June 2025.
ER 272	Exploration Right granted on 21 August 2019. Renewal granting letter received on 16 Feb 23. Deed of Renewal signed on 28 June 2023 – valid to 27 June 2025.

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 36 years of 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-

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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")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(174)	(259)
(e) administration and corporate costs	(426)	(465)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	79	125
1.5 Interest and other costs of finance paid	(2)	(3)
1.6 Income taxes paid	(20)	(20)
1.7 Government grants and tax incentives	-	-
1.8 Other – net GST and VAT (paid) / refunded	29	(50)
1.9 Net cash from / (used in) operating activities	(514)	(672)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities, net of cash acquired	2,945	(3,555)
(b) tenements	-	-
(c) property, plant and equipment	-	(257)
(d) exploration & evaluation	(418)	(1,538)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from the disposal or in respect of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Loans to other entities/individuals	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Repayment of loans to other entities/individuals	-	167
2.6 Net cash from / (used in) investing activities	2,527	(5,183)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,500
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	(325)	(325)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	(325)	6,175

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,245	3,559
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(514)	(672)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	2,527	(5,183)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(325)	6,175

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(10)	44
4.6	Cash and cash equivalents at end of period	3,923	3,923

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	945	2,245
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other – bank balances in Afro Gas Development Pty Ltd joint venture	2,978	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,923	2,245

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	178
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. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
N/A		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(514)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(418)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(932)
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,923
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	3,923
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.20
<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: 31 January 2024

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.