



## **MEMORANDUM OF UNDERSTANDING EXECUTED WITH FFS REFINERS TO CO DEVELOP GAS PRODUCTION FIELD**

### **HIGHLIGHTS**

- **Kinetiko has executed a Memorandum of Understanding (MOU) with FFS Refiners to finalise 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**
- **The identification of potential offtakers for gas produced by Kinetiko is significant to the potential growth of Company’s gas reserves**

Kinetiko Energy Ltd (ASX:KKO) (**Kinetiko** or the **Company**), an Australian gas explorer and developer focused on advanced shallow conventional gas and coal bed methane in South Africa, is pleased to provide the following update on its onshore gas exploration and production development activities.

The non-binding Memorandum of Understanding (**MOU**) entered into with FFS Refiners Proprietary Limited (**FFS**) is considered material by Kinetiko as it demonstrates the nature of commercial relationships that the Company is negotiating, which is integral to the Company’s business model of establishing interest in local JV partners to co-develop and co-fund gas production fields in South Africa. These relationships have the potential of accelerating the exploration vision with funding support.

In addition, FFS has the capacity to be an offtaker for gas produced and strengthens the market opportunities for Kinetiko's significant contingent gas resource. Finally, the independent certification of gas reserves and the ability of Kinetiko to increase its gas reserves will depend on the ability of the Company to establish that there is a credible market for gas produced in what is projected to be a number of producing gas fields.

**Kinetiko CEO, Nick de Blocq, commented:**

*"This MOU describes a fundamental approach to our eventual large-scale production plans. FFS brings with them internationally tried-and-tested midstream infrastructure for the production of LNG, as well as the ability to finance and operate the infield assets. Similarly to our recent announcement of an LOI with Gruner Energy, we will be targeting the southern areas of our Block ER271 for this project due to deeper, higher pressured wells with optimum flow rates. This MOU is therefore the second in our plans to develop multiple Joint Ventures with expertise in the provision of mid-stream infrastructure, and with a focus on those who bring an existing market along with them in urgent need of high-quality gas."*

**FFS CEO, Andrew Canning, commented:**

*"FFS is committed to meeting the indisputable imperative facing not only the petroleum industry but all consumers of fossil fuels - to prioritise a cleaner environment for generations to come through the use of alternative energy sources in industry. Natural gas is a crucial transition fuel essential for a responsible and successful migration to lower carbon fuels in South Africa. FFS will use its national footprint and close to 50 years of experience in thermal energy to commercialise indigenous stranded gas resources such as those being developed by Kinetiko."*

*FFS has been built with a strong R&D focus and the company successfully completed a pilot project in 2020 when it imported multiple LNG iso-containers for internal use and testing at its Cape Town terminal facility. We have partnered with Galileo Technologies, a pioneer in the decarbonization of the energy value chain, developing modular solutions for LNG, Biogas, Hydrogen and smart compression sectors, to offer the local market small-scale liquefaction options. FFS aims to produce LNG from other local gas sources in 2024 and to commence the proof-of-concept trial with Kinetiko soon thereafter. We are proud to work with Kinetiko in developing our first-class local gas resources to build a sustainable natural gas market not beholden to imported energy supplies."*

## About FFS Refiners

FFS is a South African based company and leading supplier of industrial heating fuels for thermal applications. FFS is also a significant producer of wood preservatives in South Africa and the only re-refiner of base oils within Southern Africa. The company further supplies marine fuels and operates liquid bulk storage facilities in ports and inland. FFS is well positioned to transition its industrial fuels business into the supply of LNG as a transition fuel to assist customers and local industry in lowering their carbon footprint of energy procurement in Southern Africa.



## Commercial Intent

The Parties have executed the MOU with the purpose of ultimately negotiating and concluding within 6 months a formal, binding Gas Supply Agreement (**Gas Supply Agreement**) between Kinetiko and FFS whereby Kinetiko agrees to explore, drill and extract natural gas within South Africa and FFS intends to purchase such natural gas, in order to enable FFS to produce and distribute LNG.

The parties intend a first phase consisting of a proof-of-concept trial (**POC**) for Kinetiko to collect and dehydrate natural gas (**DNG**) for supply to FFS at required specifications in order to produce LNG. Should the POC phase meet the objectives of the parties the second phase intent is to increase the volumes of natural gas over a long-term supply period.

The Gas Supply Agreement shall consider but not be limited to the following material matters:

- KKO obtaining the necessary production permits
- Natural Gas Specifications
- DNG volumes

- Supply Period
- DNG Price
- Delivery
- DNG Prepayment Amount

This announcement is authorised for release to the market by the Board of Directors of Kinetiko Energy Limited.

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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, widespread energy infrastructure and growing gas demand. The Company has a 4.9Tcf contingent resources and large potential exploration area, of which approximately 7000km<sup>2</sup> is granted and being explored.

The Company's vision is to continue to explore, develop, and commercialise gas production.

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