

## QUARTERLY ACTIVITIES REPORT ENDING 31 DECEMBER 2022

### HIGHLIGHTS

- **Health, Safety and Environment**

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

- **South African Strategic Investor Funding**

KKO received firm funding for approximately \$8m (before costs) from strategic South African investors during the period. The largest investor was Phefo Power (Pty) Ltd (“**Phefo**”), a South African energy investment institution whose stakeholders comprise leading South African oil and gas executives and represented the largest investment by a South African institution in the Company, and further increased Kinetiko’s Black Economic Empowerment (BEE) credentials.

At the beginning of 2023 the Company starts in a strong financial position with over \$7m in cash and no debt.

- **Drilling Operations**

After successfully completing corehole 271-23C within 5km of Majuba power station, the Company reported significant gas results with gas desorption testing achieving 11m<sup>3</sup>/t and wireline logging establishing a 131.5m sandstone pay zone.

The Company began exploration of block ER270 near the town of Newcastle with corehole 270-06C spudded in early November 2022, and the company announced on 30 November that 270-06C has intersected strong gassy zones targeted in the carbonaceous geology, which continued the Company’s’ 100% strike rate finding gas from drilling exploration. The 270-06C corewell was successfully completed in early December 2022 with gas desorption results anticipated in early 2023.

- **Corporate**

Shareholder approval was obtained at the Company’s Annual General Meeting paving the way for the completion of the merger between Badimo Gas (Pty) Ltd and Kinetiko Energy Ltd which enables Kinetiko to acquire Badimo’s 51% equity interest in Afro Energy by issuing Kinetiko shares to Badimo and resulting in Kinetiko holding a 100% interest in the South African projects.

### INTRODUCTION

Energy exploration company Kinetiko Energy Limited (ASX:KKO) (“**Kinetiko**” or “**Company**”) is pleased to report on corporate developments and operational activities at its Mpumalanga projects and adjacent exploration rights in South Africa during the December 2022 quarter. The activities are conducted

through Afro Energy (Pty) Ltd (“**Afro Energy**”) on closure of the merger a 100% subsidiary of the Company.

## **SOUTH AFRICAN INVESTMENT**

- **KKO secured A\$8m from South African Strategic Investors**

KKO received firm funding for approximately \$8m (before costs) from strategic South African investors during the period. The largest investor was Phefo Power (Pty) Ltd (“**Phefo**”), a South African energy investment institution whose stakeholders comprise leading South African oil and gas executives and represented the largest investment by a South African institution in the Company, and further increased Kinetiko’s Black Economic Empowerment (BEE) credentials.

- **New Shares Details**

89,379,997 ordinary shares in the Company were issued under a placement at a price of \$0.09 pursuant to the Company’s available 15% placement capacity under ASX Listing Rule 7.1. Ordinary fully paid shares in the Company issued (New Shares) will rank equally with the Company’s existing shares on issue.

- **Advancing Exploration**

The funds secured have placed the Company in a strong cash position with over \$7m in cash at the commencement of 2023 and will be used for accelerated exploration and gas resources growth.

## **EXPLORATION UPDATE**

- **Core Well 271-23C**

Core hole 271-23C was completed on 21 October 2022. This borehole was drilled to test the productivity potential of the surrounding gassy geology as a possible supply source to the co-fired turbines within the power station complex.

Kinetiko cored the entire stratigraphical profile from the surface, through the dolerite and lower gassy sediments, to a terminal depth (TD) of 479m. During the drilling significant gassy zones targeted in the carbonaceous geology were detected which enabled on completion of the drilling the Company to performed a number of onsite gas emission and longer-term desorption analysis tests and undertake wireline logging.

Initial results from 271-23C were extremely encouraging and on 30 November the Company announced gas results with gas desorption testing achieving 11m<sup>3</sup>/t and wireline logging establishing a 131.5m sandstone pay zone. This was considered by the Company to be a strategic exploration success with the strong gas results supporting the likelihood for a gas production field to be established adjacent to the potential gas off take infrastructure in the vicinity of the Majuba power station.

- **Core Well 270-06C**

This corehole represented initial exploration of Block ER270 in the vicinity of the industrial city of Newcastle in the KZN province. **(Figure 1:)** The drilling began early November and concluded in early December 2022. TD was called after hitting tillite at 545m.

The company announced on 30 November that 270-06C has intersected strong gassy zones targeted in the carbonaceous geology with gas desorption results anticipated in early 2023**(Figures 2 and 3)**.



*Figure 1: Core well 270-06C site showing the typical flat land covering most of our Rights areas*



*Figure 2: Core sample from 412m showing visible gas emissions using soapy water*



*Figure 3: 3m core sample from 475m showing gassy sandstone formations*

- **Korhaan Project GTP**

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

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

Kinetiko continued discussions during the quarter with numerous experienced Gas-To-Power (“GTP”) partners and suppliers to find the best outcome for an infield genset solution coupled to permits and technical experience. The program entails using existing wells at Amersfoort to produce gas to an in-field, containerised generator linked to the existing electricity grid running through the farmlands (**Figure 4**). The first phase commissioning and testing will be undertaken targeting 1MW of output. Further phases are planned for the upgrading of the conductors and transformers to enable scalable modular increased output to 5MW. For the management of expectation in terms of timing, the Company has commenced its application for a Production Right (**PR**) which is required prior to flowing commercial gas.

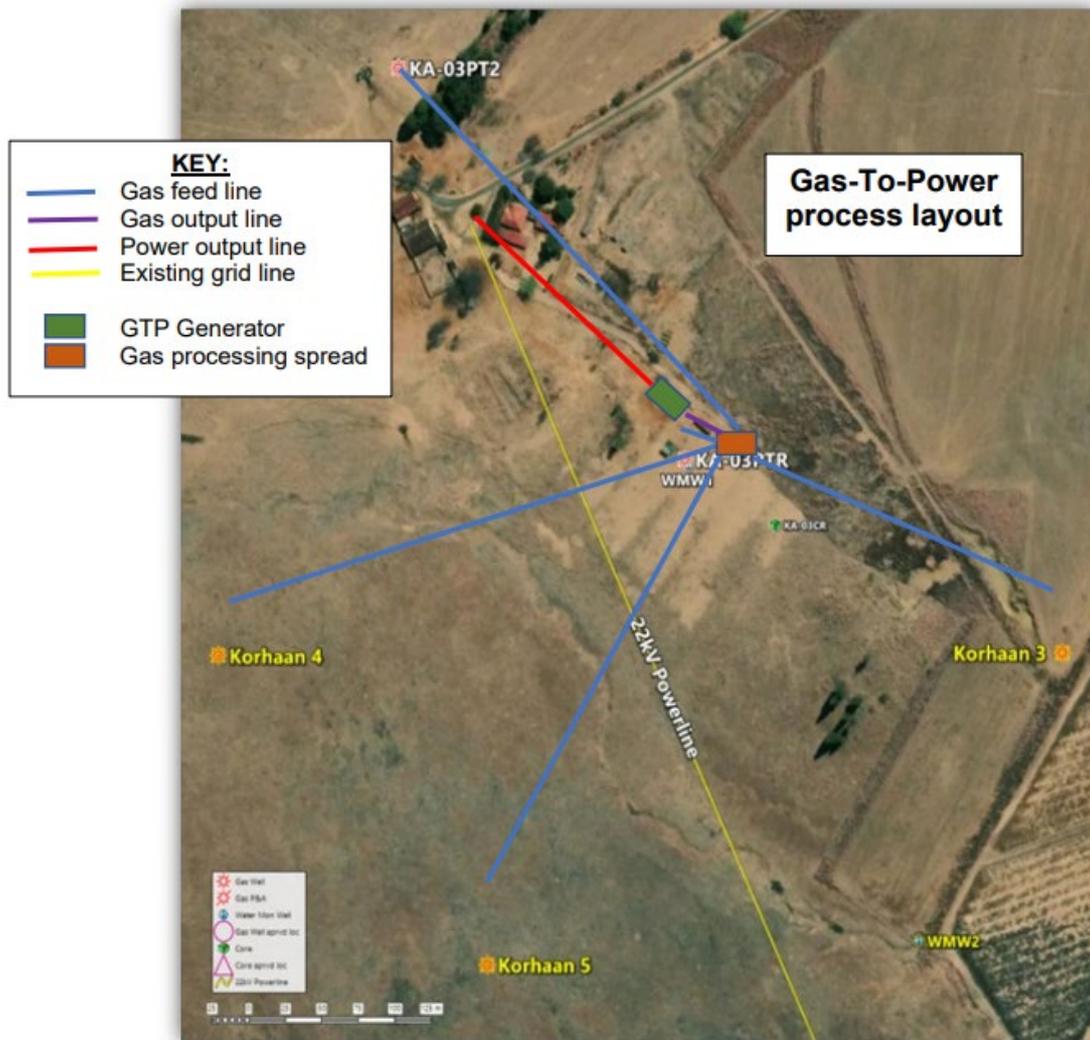


Figure 4: Planned layout for the Amersfoort GTP project

## GAS PRODUCTION

- **Gas Reserves Certification**

The Company has engaged independent gas certification group Sproule to provide an independent evaluation of the gas reserves and/or resources of Exploration Right 271. The area of ER 271 is 1,287Km<sup>2</sup> with the total exploration rights (and applications) of the Company being 6,998Km<sup>2</sup>. Sproule's engagement to undertake an assessment for certification of maiden gas reserves was progressed to its final stages within November 2022 but due to a re-configuration of the plan for GTP production at Amersfoort with associated number of wells and size of generator unit, the report was suspended pending updated information from the Company and is anticipated to be issued during Q1-23. It should be noted that this maiden reserve report is focused entirely on the small area being planned for production to the pilot GTP project and will be regularly updated with a geological and economic achievements for every subsequent exploration and production project the Company undertakes going forward.

## CORPORATE

- Merger Approvals Obtained**

Shareholder approval was obtained at the Company's Annual General Meeting paving the way for the completion of the merger between Badimo Gas (Pty) Ltd and Kinetiko Energy Ltd which enables Kinetiko to acquire Badimo's 51% equity interest in Afro Energy by issuing Kinetiko shares to Badimo and resulting in Kinetiko holding a 100% interest in the South African projects.

### INFORMATION REQUIRED BY LISTING RULE 5.4.1

During the Quarter ended December 2022, the Company had cash outflows for exploration and evaluation of \$587k. \$496k was in relation to the company spudding core wells and logging operations, \$5K environmental impact and with \$86k relating to other sundry exploration costs..

During the December 2022 quarter, \$167k was paid to directors and their associates for directors' fees, company secretarial fees, corporate fees, capital raising fees and legal fees.

### TENURE INTEREST as at 31 December 2022:

<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. Application is expected to be started by re-performing the Scoping Document, beginning in Feb 2023.
ER 270	Exploration Right granted on 03 September 2019. Renewal Application is being processed.  Production Right application processes have been started.
ER 271	Approval granted by Dept of Mineral Resources (DMR) on 19 August 2021 for consolidation with ER38 and ER56. Renewal Application is being processed.  Production Right application processes have been started.
ER 272	Exploration Right granted on 21 August 2019. Renewal Application is being processed.  Production Right application processes have been started.

## 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](http://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](http://www.kinetiko.com.au) or contact,

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### About Kinetiko Energy and Afro Energy

Kinetiko Energy is an Australian gas explorer focused on advanced shallow conventional gas and coal bed methane (CBM) opportunities in rapidly developing markets in Southern Africa. South Africa has extensive gassy coal basins, extensive energy infrastructure and a growing gas demand, making it an attractive area for investment. The Company has a large potential exploration area, of which approximately 7000km<sup>2</sup> is granted and being explored.

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

ASX: KKO | [kinetikoenergy.com.au](http://kinetikoenergy.com.au)





## 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 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(133)	(254)
(e) administration and corporate costs	(347)	(709)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	4
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – net GST and VAT (paid) / refunded	(14)	(14)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(493)</b>	<b>(975)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(78)
(d) exploration & evaluation	(587)	(826)
(e) investments	-	-
(f) other non-current assets	-	-

## 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
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	(19)	(21)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(606)</b>	<b>(925)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,044	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	(68)	(69)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>7,976</b>	<b>7,875</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	442	1,347
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(493)	(975)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(606)	(925)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,976	7,875

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	57	54
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,376</b>	<b>7,376</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	7,376	442
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,376</b>	<b>442</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	167
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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	-	-
<b>7.5 Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
N/A		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(493)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(587)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,080)
8.4 Cash and cash equivalents at quarter end (item 4.6)	7,376
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	7,376
<b>8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	6.82
<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 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.