

## QUARTERLY OPERATIONS REPORT ENDING 31 DECEMBER 2020

### HIGHLIGHTS

- **Completion of interim funding by early conversion of options raising \$1.26 million to accelerate planned exploration and development.**
- **Third high-resolution aeromagnetic and radiometric survey on the Amersfoort project completed successfully.**
  - Interpretation of surveys completed on ER38 identified a further 10 potential gas compartments and some of the largest so far up to 22Km<sup>2</sup> in size.
  - Aircraft completed flying 6.011 line kilometre survey covering 273km<sup>2</sup> over a selected portion of ER271 which forms part of the Amersfoort project.
  - Kinetiko anticipates data processing and interpretation of the results from the survey by early February 2021 which will supplement information from the previous aeromagnetic surveys recently conducted over adjoining exploration rights.
- **Work has commenced on a well workover program in preparation of pilot gas-to-CNG production.**
  - Specialists in design and provision of process control and pumping systems Endress & Hauser AG and Franklin Electric Co have commenced repairs and upgrades to downhole pumping and surface metering and control equipment.
  - The well workover program, is now scheduled for completion by end-January 2021 with first pilot gas to CNG production estimated to commence in Q1/2021.
  - The Company is in advanced discussions with established gas traders as potential off takers.
- **Negotiations continue with strategic investors**
  - The Company continues to advance discussions from funding institutions both inside South Africa and abroad to fund and participate in the Amersfoort project development.

SUMMARY

29 January 2021: Perth-based energy exploration company Kinetiko Energy Limited (ASX: "KKO" or "Kinetiko") is pleased to report on corporate developments and its activities at the Amersfoort Project and adjacent tenements in South Africa (Figure 1) during the December 2020 Quarter. Activities at the Amersfoort Project are carried out through Afro Energy (Pty) Ltd, owned by Kinetiko Energy Ltd (49%) and its South African shareholder Badimo Gas (Pty) Ltd ("Badimo") (51%).

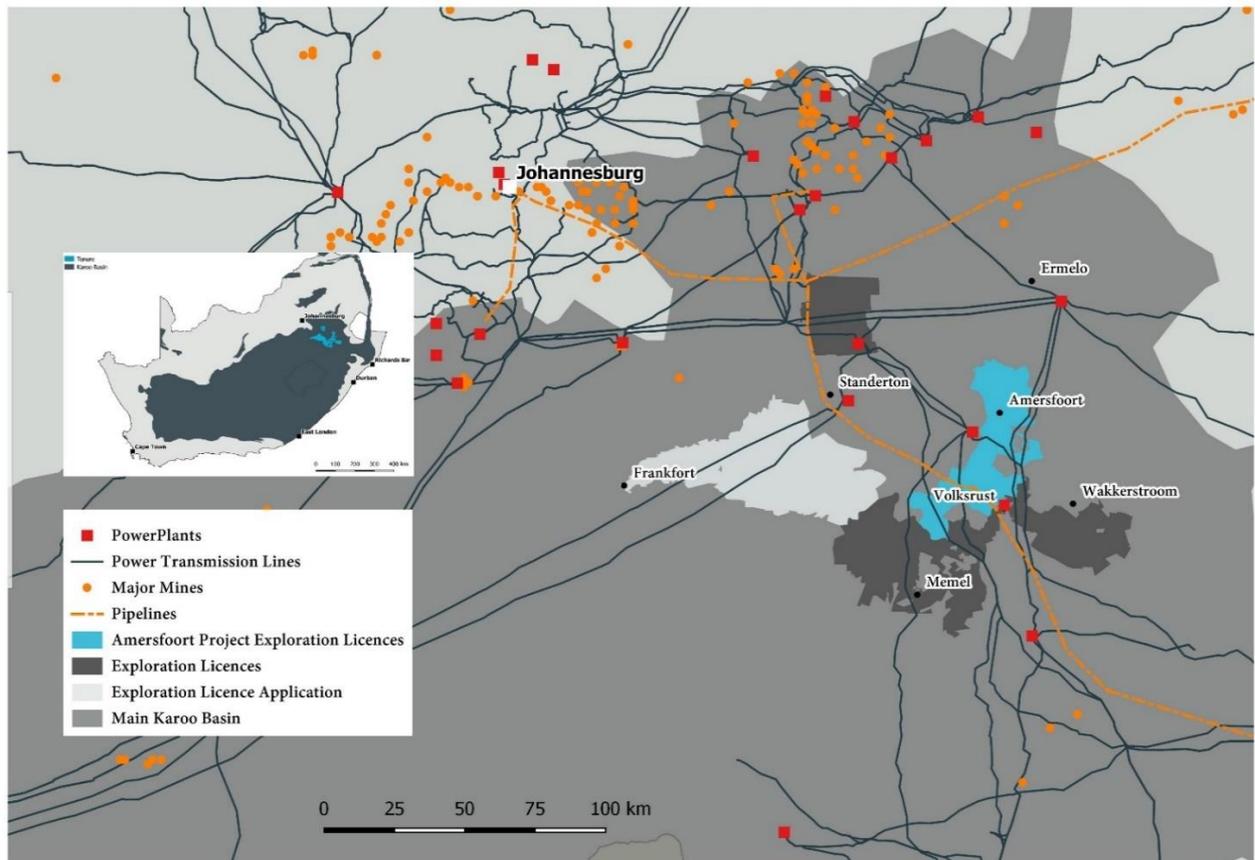


Figure 1 - Afro Energy Exploration Rights & Applications

## **STRONG SHAREHOLDER SUPPORT TO PROVIDE SHORT-TERM FUNDING**

Following the commencement of a fund-raising process during the December quarter, a majority of the Company's unlisted \$0.03 options have been exercised well before their expiry date of 31 December 2021. A total of \$1.26 million has been raised following the conversion of options representing ~81% of all options exercised in that class.

Funds raised will be used toward accelerating planned exploration and project development at the Company's Amersfoort Gas Project.

## **HIGH RESOLUTION AEROMAGNETIC SURVEYS**

Initial interpretation of the survey data from the Amersfoort Project ER38 identified a further 10 areas of potential gas charged geological compartmentalisation. The compartments identified were some of the largest ever surveyed being up to 22km<sup>2</sup> in size.

This brought the total number of compartments identified in the Amersfoort project to 30 which represents only 15% of the Company's total exploration potential.

Afro Energy contracted Xcalibur Airborne Geophysics (Pty) Ltd to conduct a high resolution aeromagnetic and radiometric survey over a pre-defined area within newly awarded ER271 following the success of similar adjoining surveys completed in June and August 2020. The aircraft and ground crew were mobilised on 10 November 2020 and completed the data acquisition on 20 November 2020. The acquired data processing was completed by Xcalibur on 5 December 2020.

This survey successfully flew 6,011 line kilometres, or 273 Km<sup>2</sup>, over a portion of exploration right ER271 of the Amersfoort project which geologically connects the two previous aeromagnetic and radiometric surveys recently completed over portions of ER38 and ER56 (Figure 2).

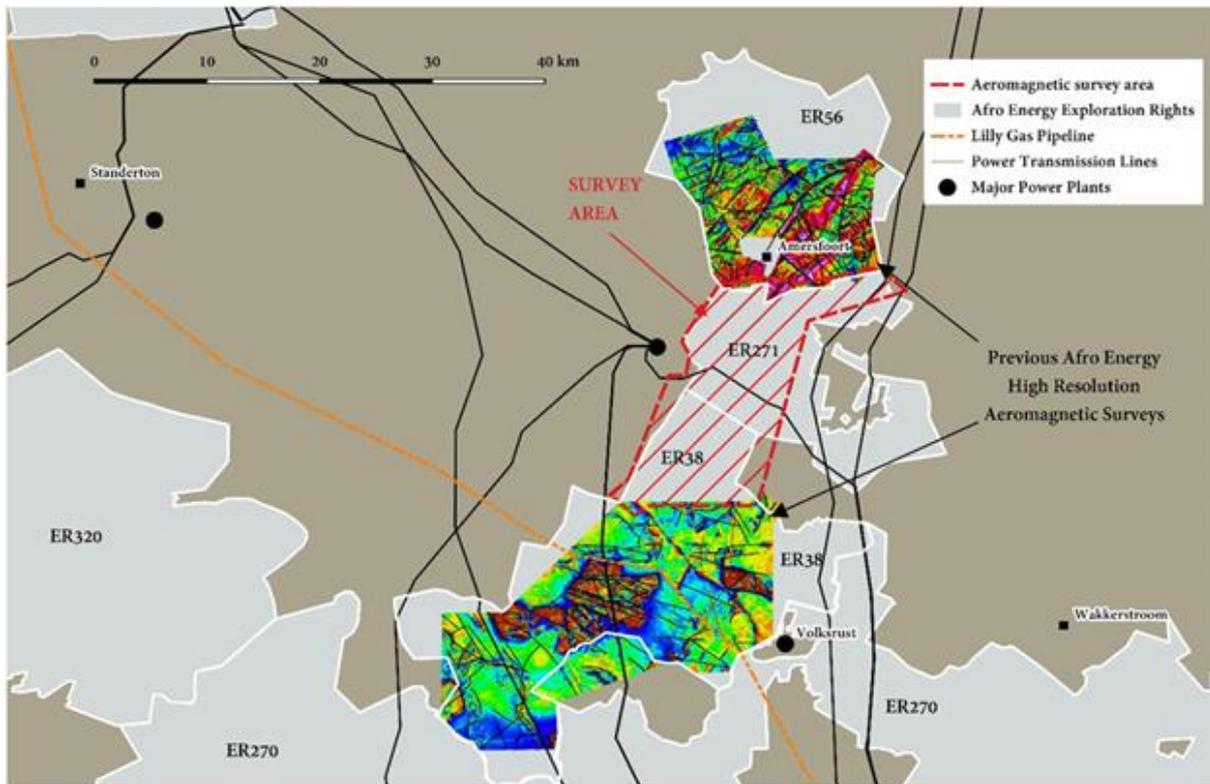


Figure 2 - Amersfoort Project exploration licences and 2020 aeromagnetic survey areas.

Kinetiko expects that the interpretation of the processed data from the survey to be completed by early February 2021 and if successful, will identify areas for well tests and further pilot production fields.

## PILOT GAS-TO-CNG PRODUCTION

Preparatory work has commenced for a pilot gas production program where short-term gas production could be achieved through re-opening existing producing wells in the areas designated for the establishment of an 8-spot test cluster of wells in close proximity to well number KA-03PTR (best flow rates achieved) within the ER56 tenement.

Following the granting of bulk gas production and removal permit by the Minister of Mineral Resources and Energy of up to 500 million standard cubic feet (MMscf) of gas per annum for a two-year period from its exploration rights ER56 and ER38 (ASX Announcement 21 October 2020), Afro Energy commenced the planning and preparation of a short-term pilot gas production program where produced gas will be sold to gas trader(s) for transportation and distribution to industries in the Johannesburg region.

The delivery of produced gas to end users will be predicated on established Compressed Natural Gas (CNG) transportation (virtual gas pipeline) methods by road.

The pilot production program will enable Kinetiko to generate first revenues from gas production and seek the certification of first gas reserves.

Afro Energy contracted Endress & Hauser AG and Franklin Electric Co to repair and upgrade its existing downhole and surface equipment to ensure safe and continuous production during the delivery period. Endress Hauser further allowed the use of its equipment used during a previous equipment test to optimise the surface separation of water and gas (ASX Announcement 12 September 2018). The workover of wells will commence subsequent to the completion of equipment repairs and upgrades currently undertaken when waterpipe, sensors and downhole water pumps will be pulled to surface for inspection, servicing and/or replacement.

Completion of the workover program is scheduled for the end of January 2021. Following completion of the well workover flow rate testing will proceed with the expectation that pilot gas production can commence in the first quarter of 2021.



**Figure 3 - Pilot production well KA-03PT flaring gas at Amersfoort Project**

The company is currently in advanced negotiations with potential gas off taker(s) of small and intermittent gas production where they would purchase gas at an on-site transfer point, compress the gas to the required pressure utilising their own compression equipment and transfer same to their CNG trailers for transportation to existing gas-based industries in the Johannesburg region.

Following on the previously successful exploration program on ER56, the pilot gas production and commercialisation thereof under the current approval will place Afro Energy in a favourable position to apply for a production right in ER56. The Company therefore intends to apply for production rights for ER56 as soon as possible after the commencement of the pilot gas production program.

## AMERSFOORT PROJECT DEVELOPMENT FUNDING

Kinetiko has continued to promote the potential of the Amersfoort project to be developed as a stand-alone onshore gas producer where South Africa continues to be subject to constrained and affordable energy.

These achievements and the ongoing development of the Afro Energy joint venture have elicited a number of positive responses from potential funding institutions both inside South Africa and abroad to fund and participate in the Amersfoort project development and in particular the potential development of a pilot production field. The vast exploration acreage of the Amersfoort project and its location adjacent to existing energy infrastructure such as the Majuba coal power station are indicated below. (Figure 4)

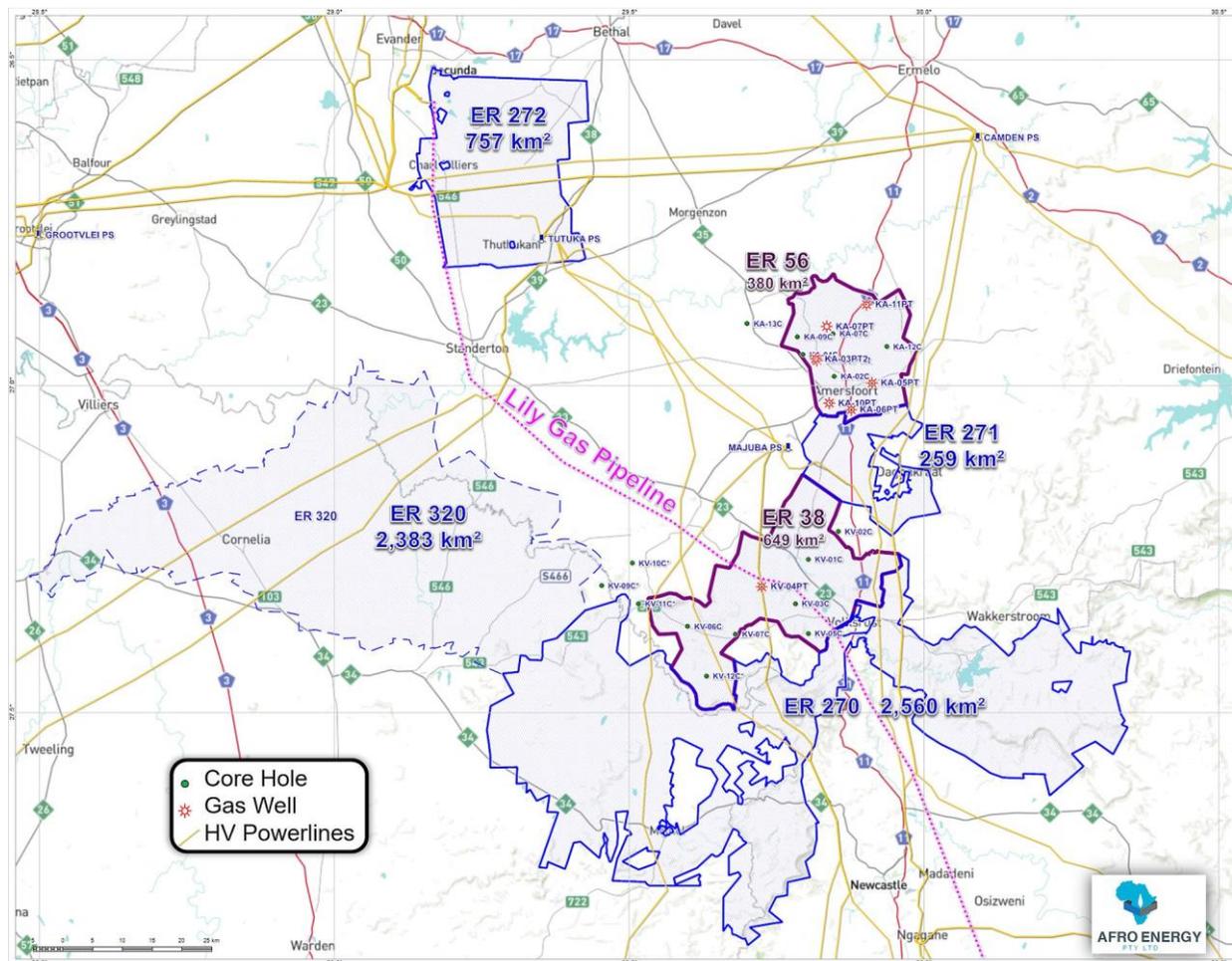


Figure 4 – Afro Energy Exploration Rights

### Information Required By Listing Rule 5.4.1

During the Quarter ended December 2020, the Company had cash outflows for exploration and evaluation of \$224k. \$168k was in relation to the aeromagnetic/interpretation survey and \$56k was in relation to other sundry exploration costs.

During the December 2020 quarter, \$42k was paid to directors and their associates for directors' fees, company secretarial fees, corporate fees, capital raising fees and legal fees.

### Tenure Status

Clause	Area of Interest	Tenement reference	Nature of interest	Interest December 2020
Interest	Amersfoort Project – South Africa			
		30/5/2/3/38ER	3 <sup>rd</sup> renewal period granted by DMR in Aug 19.	49%
		30/5/2/3/56ER	2 <sup>nd</sup> renewal period granted by DMR in Aug 19.	49%
		ER320 (TCP 106)	Application for conversion from TCP to exploration right approved by regulator. DMR expected grant of application for extension for EIA delayed due to regulatory delays.	49%
		ER 270	Exploration Right granted in Aug 19.	49%
		ER 271	Exploration Right granted in Aug 19.	49%
		ER 272	Exploration Right granted in Aug 19.	49%

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

For more information visit: [www.kinetiko.com.au](http://www.kinetiko.com.au) or contact,

Adam Sierakowski  
Non-Executive Chairman  
08 6211 5099  
[info@kinetiko.com.au](mailto:info@kinetiko.com.au)

or

Evy Litopoulos  
Investor Relations  
ResolveIR  
[evy@resoloveir.com](mailto:evy@resoloveir.com)

### 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.

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