

QUARTERLY OPERATIONS REPORT ENDING 30 JUNE 2021

QUATERLY HIGHLIGHTS

- **Health, Safety and Environment.**

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

- **Covid – 19**

Afro Energy will continue exploration activities observing South Africa's latest Covid-19 restrictions and regulations with no related incidences reported. Kinetiko continues to progress its exploration activities.

- **Funding**

The Company successfully completed a Capital Raising to sophisticated investors raising \$2.8m and intends to undertake an SPP to raise up to a further \$2m. Kinetiko is debt free and has cash to commence approved exploration and gas drilling programs immediately.

- **Regulatory**

Afro Energy submitted an application to PASA applying for the consolidation of exploration rights 12/3/56 (ER56), ER12/3/38 (ER38) and ER12/3/271 (ER271) into ER271. It's anticipated this application will be determined during the month of August 2021.

- **Corporate**

Kinetiko has executed a binding terms sheet with Badimo Gas (Pty) Ltd to acquire the remaining 51% of Afro Energy (Pty) Ltd, making Kinetiko the 100% owner of all South African exploration rights and production approvals. The satisfaction of the conditions to the merger have been ongoing and good progress has been made and the parties to the merger transaction believe it can be completed this year.

- **Exploration**

Kinetiko is preparing to mobilise drilling activities to approved site locations for gas wells adjacent to existing pilot production wells on Amersfoort project ER56. The new wells will be the first drilled on the project in over 6 years and with the deployment of updated technology and geological data represents, an exciting new exploration phase for the Company.

In addition to the drilling campaign, the Company will continue to fly aeromagnetic surveys on newly granted exploration rights ER 270 and ER 272 for the purpose of targeting further gas compartments.

INTRODUCTION

28 July 2021: Perth-based energy exploration company Kinetiko Energy Limited (ASX:KKO) (“Kinetiko”) is pleased to report on corporate developments and operation activities at its Amersfoort project and adjacent exploration rights in South Africa (Figure 1) during the June 2021 quarter. The activities are conducted through Afro Energy (Pty) Ltd (“Afro Energy”) an incorporated joint owned by Kinetiko Energy Ltd of Australia (49%) and Badimo Gas (Pty) Ltd (“Badimo”) of South Africa (51%)

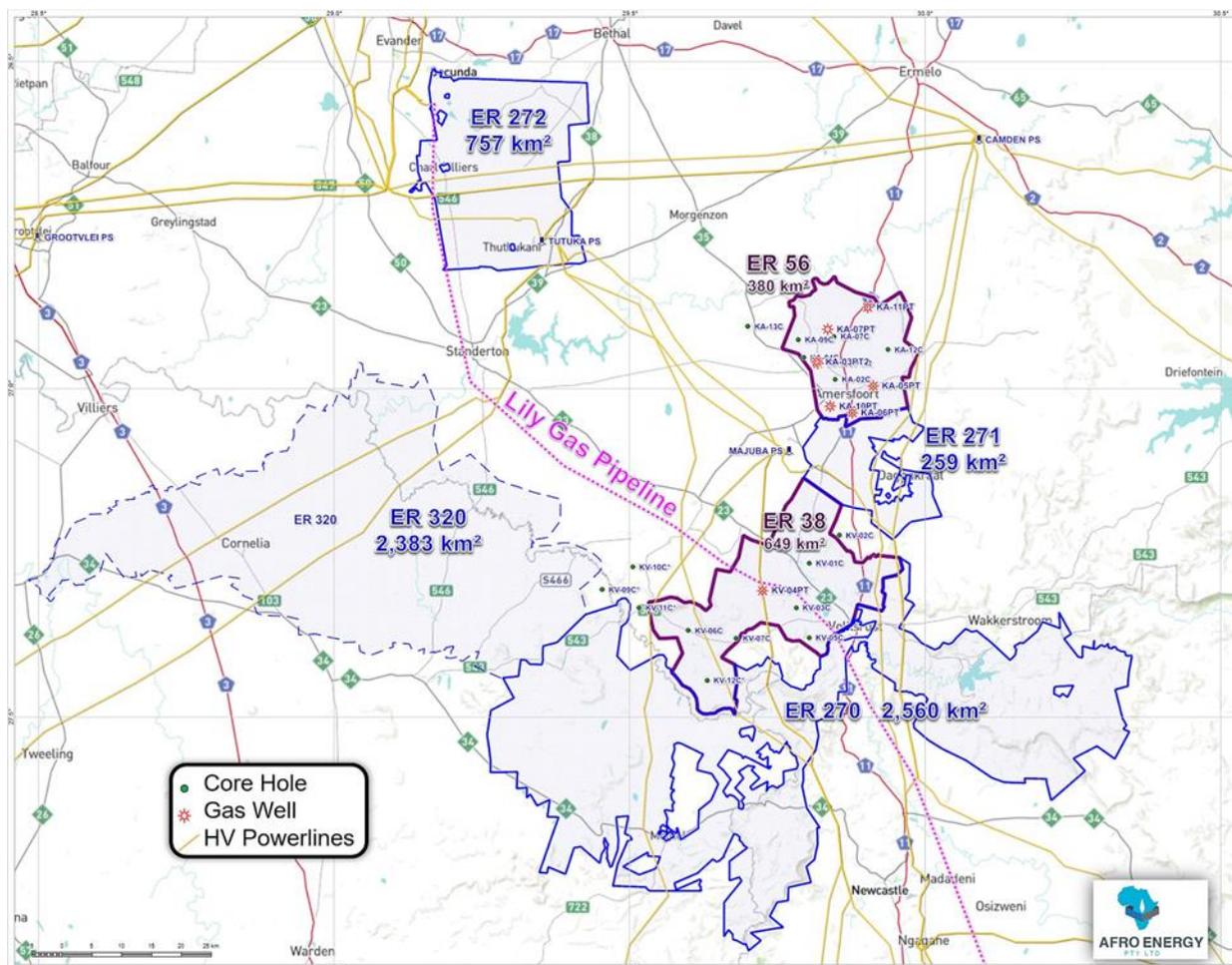


Figure 1 - Afro Energy Exploration Rights & Applications

CORPORATE

- **Proposed Acquisition of Badimo by Kinetiko**
Kinetiko has executed a binding terms sheet with Badimo to acquire the remaining 51% of Afro Energy. Upon completion of the proposed acquisition, Kinetiko will become the sole owner of Afro Energy, which holds 100% interest in the exploration rights and the sample gas production permit in South Africa.

The proposed acquisition significantly de-risks the development of the South African projects and brings together all the experience and expertise of the historic joint venture parties. Once finalised, the proposed acquisition will streamline the exploration and development of nearly 7,000km² of exploration rights and application to exploration rights.

The respective boards and major shareholders of both Badimo and Kinetiko are supportive of the acquisition and have been working together to complete the satisfaction of the conditions to the merger where good progress has been made and the parties to the merger transaction believe it can be complete this year.

- **Funding**

The Company successfully completed a sophisticated placement in June 2021 that raised \$2.8m and intends to undertake an SPP to raise up to a further \$2m in the next 4 weeks. Kinetiko is debt free and has cash to commence approved exploration and gas drilling programs immediately.

These achievements and the ongoing merger 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. Afro energy remains in discussions with a number of interested funding parties.



Figure 2. – Gas separator and well head equipment on Well KA-03PTR

EXPLORATION

- **Drilling**

Kinetiko is preparing to mobilise drilling activities to approved and known gassy site locations wells adjacent to existing pilot production wells on Amersfoort project ER56. The new wells will be the first drilled on the project in over 6 years and with the deployment of updated technology and geological data represents an exciting new exploration phase for the Company. Several suitable drilling companies have rigs and teams available and an engagement process is currently underway.

- **Aeromagnetic Surveys**

In addition to drill the company will continue to fly aeromagnetic surveys on newly granted exploration rights ER 270 and ER 272 for the purpose of targeting further gas compartments. These flown surveys are anticipated to be undertaken next month and data procured approximately one month later.

PRODUCTION

- **Gas Sales and Purchase Agreement under Bulk Sampling Permit**

Afro Energy is in advanced negotiations with potential gas off-takers for small and intermittent gas production from Well KA-03PTR and possibly well KA-03PT2, where they will purchase gas at an on-site transfer point, compress the gas to a required pressure utilizing their own compression equipment and feed gas to their CNG trailers for transportation to existing gas-based customers in the Johannesburg and Witbank regions. Figure 2 shows existing well infrastructure and testing equipment which will be the location for Kinetiko first stage gas sales adjacent to Well KA-03PTR.

Following the successful capital raising Afro Energy is reviewing the potential drill further interval test wells that may be transformed into pilot production wells adjacent to the existing producing wells. If successful this could form a cluster of producing wells that could enhance off-take commercial scenarios.

- **Pilot Production Field Development**

Afro Energy has modelled a 15-20 well pilot production field on ER56 which it has been seeking institutional funding to develop. Positive responses have been received from potential funding institutions both inside South Africa and abroad to fund and participate in the development of a pilot production field.

One of the potential investors has proceeded to a decision to invest stage having undertaken a successful due diligence and it anticipated a final decision will be made in the very near future.

REGULATORY

- **Application for consolidation of ERs**

Afro Energy submitted a revised application to PASA applying for the consolidation of exploration rights ER56, ER38 and ER271 into ER271 in terms of section 102 of the mineral and petroleum resources development act of 2002. Afro Energy adjusted the proposed work program to co-inside with the completion date of 21 August 2022 for the first term of the proposed consolidated ER271 application.

Afro Energy further submitted an application for the amendment in terms of section 29 of the EIA Regulations (guided by Regulation 54(2) of the EIA Regulations, 2014) to existing EMPRs for exploration rights ER38, ER271 and ER56 into a consolidated EMPR for ER271. SLR Consulting was appointed as competent environmental practitioners to draft the consolidated report, which they did and was subsequently submitted to PASA.

- **Exploration Right 12/3/320ER**

PASA has positively assessed Afro Energy's application for Exploration Rights, in terms of Section 79 of the Mineral and Petroleum Resources Development Act, to explore for Petroleum and Gas. Afro Energy appointed an Environmental Assessment Practitioner, SLR Consulting, to prepare the application for Environmental Authorization in terms of Regulation 16 of the Environmental Impact Assessment Regulations of 2014. Work conducted by SLR Consulting has temporarily been interrupted until conflicting regulations between PASA, the Department of Mineral Resources (DMR), the Department of Environmental Affairs and the Department of Water and Sanitation have been resolved. Afro Energy has successfully applied for an extension of the date of submission for the EIA and EMPR to PASA to allow the relevant authorities to clarify the regulations and its related guidelines. PASA will inform Afro Energy

For the time being, the submission date of the EIA and EMPR has been rescheduled by PASA for a time in line with the resolution of the conflicting regulations between the Departments.

Competent Persons and Compliance Statements

Unless otherwise specified information in this report relating to exploration and related technical comments have been compiled by Dr James Searle, a Member of the Australian Institute of Mining and Metallurgy, with over 30 years experience in metallic and energy minerals exploration and development, including over 9 years experience in hydrocarbon exploration. Dr Searle consents to the inclusion of this information in form and context in which it appears.

Previously Reported Information Footnotes

This announcement is available to view on the Company's website www.kinetikoenergy.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.

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

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TENURE STATUS

<u>Tenement reference</u>	<u>Nature of interest</u>
30/5/2/3/38ER	3 rd renewal period granted by DMR on 23 August 2019.
30/5/2/3/56ER	2 nd renewal period granted by DMR on 23 August 2019.
ER320 (TCP 106)	Application for conversion from TCP to exploration right approved by regulator. Application for EIA delayed due to regulatory delays.
ER 270	Exploration Right granted on 03 September 2019.
ER 271	Exploration Right granted on 22 August 2019.
ER 272	Exploration Right granted in 21 August 2019.

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 2021

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	(69)	(437)
(e) administration and corporate costs	(29)	(767)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	(10)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	5
1.8 Other – net GST and VAT (paid) / refunded	11	50
1.9 Net cash from / (used in) operating activities	(87)	(1,159)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(139)	(854)
(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 (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	Cash flows from loans to other entities	(124)	(193)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(263)	(1,047)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	27
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	1,305
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(48)
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	-	1,284

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	541	1,115
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(87)	(1,159)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(263)	(1,047)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,284

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	-	(2)
4.6	Cash and cash equivalents at end of period	191	191

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	191	541
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)	191	541

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	37
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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 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)	(87)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(139)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(226)
8.4 Cash and cash equivalents at quarter end (item 4.6)	191
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	191
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.84
<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: Yes, the company has successfully completed a \$2.8m capital raise in July 2021.	
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: Yes, refer to 8.8.1.	

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: Yes, refer to 8.8.1.

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: 30 July 2021

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.