



QUARTERLY ACTIVITIES REPORT ENDING 31 MARCH 2022

HIGHLIGHTS

○ Health, Safety and Environment.

No accidents, injuries or environmental incidents have been reported during the period. One first aid event for a pinched finger, no lost time. Various snake species, scorpions and spiders were encountered and handled under our catch-and-release policy.

○ South African Investment

During the March quarter Afro Energy (a subsidiary of the Company) has entered into a joint development agreement (“JDA”) with the Industrial Development Corporation of South Africa (“IDC”). The JDA to develop gas fields to produce gas for industrial, commercial, transportation or power generation applications. The IDC to contribute ZAR70m for a 45% interest in the incorporated joint venture.

In addition, the Company has launched a renounceable Rights Issue on the basis of one (1) new fully paid ordinary share for every fifteen (15) Shares held at an issue price of \$0.075 to raise up to A\$3.1m (before costs).

○ Drilling Operations

The Company spudded three wells during Q4-21 and continued with drilling and logging operations up to mid-March 22. This grouping of wells is known as the “Korhaan” drilling project constitutes wells Korhaan-3, Korhaan-4 and Korhaan-5. All wells were drilled and logged successfully, with easy inter-well lithological correlations and an average of over 100m of pay per production section identified during logging. Weather related conditions and lightning strikes severely affected the Company’s ability to flow test the wells before the end of the March quarter.

○ Regulatory

Monthly environmental audits were carried out during Q1-22. No material issues to report.

○ Corporate

- Badimo Gas (Pty) Ltd and Kinetiko Energy Ltd merger under the MPRDA Section 11 was approved by the Minister during March 2022.
- Agreements to give legal effect to the proposed development of a gas field comprising approximately 20 wells to produce gas under the existing bulk gas production permit of 500mmscf per annum have been signed with the IDC.
- The JDV joint venture vehicle company, Afro Gas Development SA (Pty) Ltd has been registered.

INTRODUCTION

Energy exploration company Kinetiko Energy Limited (ASX:KKO) (“**Kinetiko**” or “**Company**”) is pleased to report on corporate developments and operational activities at its Amersfoort project and adjacent exploration rights in South Africa (Figure 1) during the first quarter (Jan-Mar) of 2022. The activities are conducted through Afro Energy (Pty) Ltd (“**Afro Energy**”) a subsidiary of the Company.

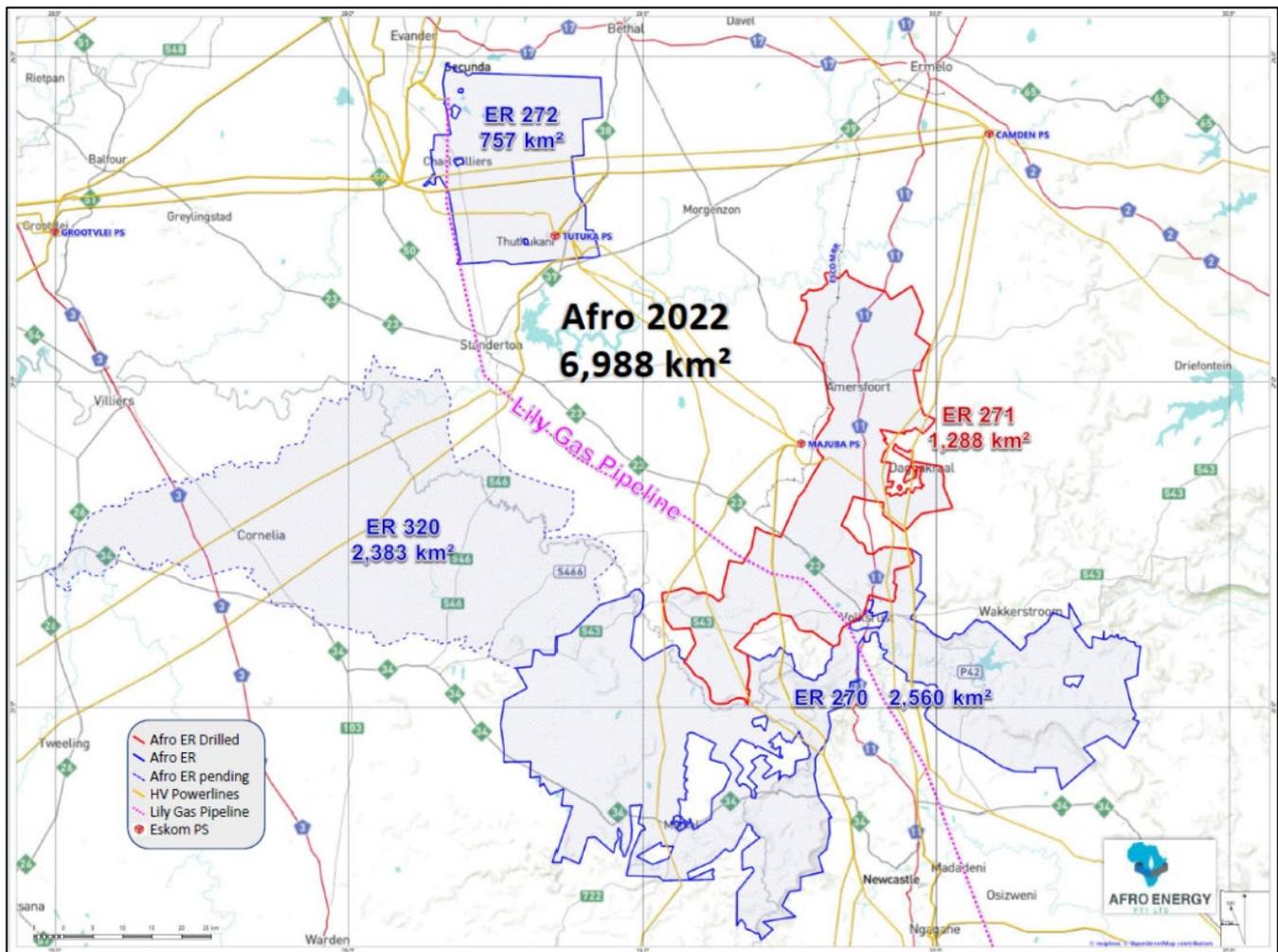


Figure 1 - Afro Energy Exploration Rights & Applications

CORPORATE

○ Acquisition of Badimo by Kinetiko

Badimo Gas (Pty) Ltd (“**Badimo**”) and Kinetiko executed a binding Reconstruction Agreement enabling Kinetiko to acquire Badimo’s 51% equity interest in Afro Energy by issuing Kinetiko shares to Badimo. During Q1-22, the companies agreed on all of the conditions to the merger and the

Minister's approval for the Section 11 application (foreign investment approval) for the merger was obtained during March. The merger is anticipated to be completed by Q3 this year.

○ **Participation by Institutional Investor finalised**

Multiple year negotiations and planning towards a South African institutional investment in a joint venture to develop gas fields to produce gas for industrial, commercial, transportation or power generation applications were completed with the Industrial Development Corporation ("IDC") prior end of quarter. An incorporated joint venture company, **Afro Gas Development SA (Pty) Ltd** has been established. The IDC to contribute ZAR70m for a 45% interest in the incorporated joint venture, these funds being earmarked for the drilling of up to a further 20 exploration and production wells in the north and south of our Block ER271, as well as a portion of infrastructural costs.

The IDC is the SA Government's infrastructural investment mechanism, and it is designed to promote growth in the industrial sector of South Africa for projects which have the confidence of the Government.

○ **Gas Off-take Arrangements:**

Negotiations and planning towards an early gas offtake for a small (initially 1MW, leading in rapid stages to 5 MW) infield power generating plant are advanced and a Terms Sheet and roadmap have been agreed with Vutomi Energy (Pty) Ltd ("**Vutomi**"). The design of the power generation mechanism has been approved by Eskom and final costings are being procured. The Company is forming a formal Joint Venture with Vutomi to combine the provision of gas from the Korhaan project as a fuel for Vutomi's generators.

During March, the Kinetiko Board received presentations from various qualified mid- and downstream gas and energy customers who would like to participate in future gas production scenarios and to increase a network of various end-users via electrons or molecules in the form of virtual pipelines using CNG or LNG generated from the Company's gas.

○ **Expansion Capital**

The Company has launched a renounceable Rights Issue on the basis of one (1) new fully paid ordinary share for every fifteen (15) Shares held at an issue price of \$0.075 to raise up to A\$3.1m (before costs). The Rights Issue is anticipated to close by the end of May 2022.

The securing of the IDC investment and the Company's strategic vision to become a major on shore gas producer adjacent to major markets in South Africa have elicited a number of positive responses from potential funding institutions both inside South Africa and abroad to fund and participate in the development projects, Afro Energy remains in discussions with a number of interested funding parties.

○ **Exploration**

Kinetiko spudded three wells during Q4-21 and continued with drilling and logging operations into Q1-22. These well sites are all in the vicinity of the Company's most recently proven production success on the Brakfontein farm near Amersfoort, Mpumalanga. This grouping of wells is known as the "**Korhaan**" drilling project and constitutes wells Korhaan-3, Korhaan-4 and Korhaan-5. These

wells are a combination of “appraisal” (proving the productivity of the sandstone components in the localised compartments) as well as “production” (they will be completed ready to bring in as producers in the near future).

As at the end of the first quarter of 2022, the status of the wells is as follows:

Korhaan-3 reached terminal depth (TD) of 449m on 02 Feb and a preliminary gas flow rate observed at about 220k scf/d under choked conditions with the drilling string in the well and water ingress uncontrolled. The well was then logged and the drilling contractor began its second rig demob operations with the final truck leaving site on 11 Feb.

Korhaan-4: This well was drilled and logged in Q4-21 and is suspended awaiting well testing operations.

Korhaan-5: This well was TD’ed at 432m and logs were run late January. The well is suspended and waiting for well testing operations.

Weather: The greatest risk to the operational activities has been the regional weather. The Amersfoort region drilling sites have experienced inordinate storm counts this summer, surpassing decade-long records. The Company’s HSE Policy dictates that drilling down-mast the rigs in any case where lightning encroaches within 20km along with ground saturation from significant rainfall has resulted in more than a third of the productive period from mid-November to mid-February being lost.

The Company also suffered multiple lightning strikes on well-sites which resulted in equipment damage. This exacerbated delays as new equipment had to be imported and tested before well testing could be continued under trustworthy, controlled conditions.

Aeromagnetic Surveys: In addition to the drilling campaign, the Company flew aeromagnetic surveys on newly granted exploration rights ER 270 and ER 272 for the purpose of targeting further gas compartments. These surveys were completed in December 2021 and exception results were obtained with a further 42 prospective gas compartments being identified. **This was the third and largest aeromagnetic survey flown by the Company and has brought the total number of prospective gas compartments discovered to 79 over an area of 1,229Km².**

GAS 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 our Korhaan collection of wells where current potential off-takers are looking at CNG, LNG and in-field power generation solutions.

○ Pilot Production Field Development

Afro Energy has modelled a 20 well pilot production field in the Amersfoort Block which will benefit from the institutional funding now secured as part of the IDC joint venture. Positive responses have been received from additional potential funding institutions both inside South Africa and abroad to fund and participate in the development of further pilot production fields. The Company's EIAs granted enable continued drilling of up to five more wells in the Brakfontein area, and work is continuing in order to obtain EIA approvals for further wellsites in the area. Additional approvals received enable drilling of another five wells in the southern part of Block ER271 in the Volksrust area where the basement is deeper and wells are expected to be higher pressured and more productive.

REGULATORY

Since 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 was approved and signed off, the Company's regulatory activities have been around environmental auditing and reporting.

Monthly environmental audits were carried out Q1-22, late January, mid-February and early March. Independent company SLR most recently audited the Company's operational activities and reported to PASA's Environmental Office. To quote from their lead Auditor in their report: "Our overall finding is that Kinetiko continues to work in a manner that ensures compliance with the relevant legal and environmental requirements of the approved EMPr."

EXPLORATION RIGHT 12/3/320ER

PASA has held 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, in suspension due to conflicting regulations between various Government Departments. Negotiations were on going during the March quarter to resolve the conflict.

TENURE INTEREST as at 31 March 2022:

Tenement reference	Nature of interest
ER320 (TCP 106)	Application for conversion from TCP to exploration right approved by regulator, but an ER re-application process has now been required.
ER 270	Exploration Right granted on 03 September 2019.
ER 271	Consolidation to include ER56 and ER38 granted by DMR on 19 August 2021.
ER 272	Exploration Right granted in 21 August 2019.

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 33 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.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.

-ENDS-

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

Adam Sierakowski
Executive Chairman
08 6211 5099
adam@kinetiko.com.au

Evvy Litopoulos
Investor relations
Resolve IR
evvy@resolveir.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 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.

ASX: KKO | 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 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	(109)	(352)
(e) administration and corporate costs	(34)	(407)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – net GST and VAT (paid) / refunded	94	4
1.9 Net cash from / (used in) operating activities	(49)	(755)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(112)
(d) exploration & evaluation	(808)	(1,962)
(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 (9 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	(976)	(1,021)
2.4	Dividends received (see note 3)	-	-
2.5	Other – capitalised acquisition costs	(29)	(142)
2.6	Net cash from / (used in) investing activities	(1,813)	(3,237)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	900	3,748
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	287
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(184)
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	900	3,851

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,013	191
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(49)	(755)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,813)	(3,237)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	900	3,851

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(10)	(9)
4.6	Cash and cash equivalents at end of period	41	41

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	41	1,013
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)	41	1,013

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	66
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Related party payments reported in Item 6.1 represent directors fees and management fees paid during the quarter.

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)	(49)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(808)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(857)
8.4 Cash and cash equivalents at quarter end (item 4.6)	41
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	41
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.04
<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	
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: The company announced on the 20th April 2022 commencement of a renounceable Rights Issue to raise A\$3.13m to fund its operations.	

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, the Company expects to be able to continue its operations and to meet its business objectives based on its responses to items 1 and 2 above.

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: 29 April 2022

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.