

NON-BINDING TERM SHEET EXECUTED WITH FFS REFINERS TO ACCELERATE PILOT GAS PRODUCTION

HIGHLIGHTS

- KKO has executed a non-binding term sheet with FFS Refiners (Pty) Ltd for the proposed co-development of a pilot gas liquefaction plant for the production of liquefied natural gas (LNG).

The Term Sheet sets out proposed opportunities to expedite small-scale gas production from Kinetiko's existing cluster of production wells at Brakfontein. This involves (among other long-term future collaboration initiatives):

- Co-funded drilling of an additional production well and upgrades to existing wells;
- Co-funded application for a production right; and
- Gas testing and appointment of competent person for certification of gas reserves.

- A binding Joint Development Agreement (JDA) for the first phase to be executed within 30 days to establish, among other terms, the respective funding commitments and production activities of Kinetiko and FFS.

- Following successful completion of the first phase the parties will develop a business case for LNG production, with additional phases contemplated to expand potential gas production and supply in stages.

Kinetiko Energy Ltd (ASX: KKO) (**Kinetiko** or the **Company**) is pleased to announce it has executed a non-binding term sheet with FFS Refiners (Pty) Ltd (**FFS**), outlining the framework under which Kinetiko and FFS intend to collaborate to secure the supply of liquefied natural gas (**LNG**) to the South African market (**Term Sheet**). The Term Sheet sets out a phased approach towards LNG production, beginning with the execution of the JDA between Kinetiko and FFS and co-development of a pilot gas production field at Brakfontein.

Kinetiko Executive Chairman Adam Sierakowski commented:

"Kinetiko's strategy is to partner to develop its substantial 6 trillion cubic feet of gas resource (contingent 2C) in phased multi site development projects. Our relationship with FFS has grown from the gas to power demonstration in May 2024 to now co-developing a pilot gas liquefaction plant at Brakfontein where the Company has already demonstrated successful gas flow from a number of wells. The intention of the parties is to co-fund and bring much needed gas efficiently and responsibly to customers in the industrial energy market and expand potential gas production and supply in stages"



FFS Managing Director Andrew Canning commented:

*“FFS is committed to its vision of **creating sustainable energy solutions, for people by people**. Sustainability is not only enhanced by the lower carbon footprint of LNG, but also by demonstrating security of supply to our customers in the industrial energy market in Southern Africa. These objectives underpin our strategy of co-investing in upstream, midstream and downstream LNG opportunities with our partners Kinetiko. We look forward to developing and ramping up LNG production responsibly for our customers, employees and the communities which we serve and depend on.”*

Key Details of the Term Sheet

The Term Sheet is non-binding and sets out the mutual understandings and intentions of Kinetiko and FFS (**Parties**) to pursue the proposed joint venture and enter into formal, and legally binding, documentation in due course.

The collaborative framework established under the Term Sheet focuses on the key phases of potential cooperation and proposed activities as follows:

- **(Phase 1a – Gas Field Development)**

The execution of the binding JDA for the first phase during which the Parties will;

- provide funding of R20m (Funding split - FFS 32.5% and Kinetiko 67.5%) for new wells and the upgrade of two existing wells at the Brakfontein site, and
- compile the LNG business case proposal ahead of further gas field development, and
- complete the submission of a production right application.

- **(Phase 1b – LNG Proof of Concept)**

Subject to a successful outcome of the initial Gas Field development and production right, the Parties intend to conclude a Joint Venture (JV) agreement and incorporate the JV entity, recognising historic exploration costs incurred by Kinetiko. During this phase, the JV will be responsible for the design and construction of a larger gas field and reticulation system, the procurement and commissioning of a small-scale gas liquefaction plant, and the marketing and distribution of LNG to customers. The outcomes of the Proof of Concept Phase will be incorporated in the full scale LNG production business case required by the JV Parties to scale up LNG production.

- **(Phase 2 – Full LNG Production)**

Following the approval of the final business case, the Parties intend to scale up production of LNG over an expanded production right area, expected to be 5 times larger than the Phase 1b development.

- **(Phase 3 – LNG Production Expansion)**

During the final phase, the parties intend to collaborate on the further expansion of LNG production over additional tenement areas held by Kinetiko beyond the Brakfontein area. The expanded LNG production target is assumed to be 4 times larger than in Phase 2 over the life of the applicable production rights.

The Term Sheet provides the basis for further binding commercial agreements to be negotiated in good faith, beginning with the JDA, which is intended to be formalised and executed by or around 20 July 2025 (being 30 days following the execution of the Term Sheet).

Overview of FFS Refiners

FFS is a leading hydrocarbon solutions provider with over five decades of experience in the oil and gas industry. FFS' mission is to provide specialist, innovative and sustainable hydrocarbon solutions, developed by their in-house team for industrial and commercial clients. FFS has been in the oil and gas business for 50 years. FFS is interested in further business opportunities through the natural gas value chain, with a focus on LNG, making them an ideal partner for Kinetiko in developing a regional LNG supply chain.

Further information in relation to FFS can be obtained via FFS' company web resource, accessible at <https://ffs-refiners.com/>.

-ENDS-

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About Kinetiko Energy

Kinetiko Energy is a gas exploration company with a focus on advanced onshore shallow conventional gas opportunities in South Africa.

Kinetiko's tenements are located in South Africa's primary power-producing region, near aging coal-fired power stations and infrastructure. As South Africa shifts towards modern power solutions, the gas from Kinetiko's deposits is expected to provide base load power and act as backup to renewables as part of the country's long-term energy future.

The Company has achieved maiden gas reserves with positive economics and has 6 trillion cubic feet (Tcf) of 2C contingent resources (alternatively described as having 2.8 Tcf of 1C contingent resources),¹ establishing a substantial world-class onshore gas project.

Kinetiko's vision is to commercialise an energy solution for South Africa.

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Competent Persons and Compliance Statements

Unless otherwise specified, information in this report relating to operations, exploration, and related technical comments has been compiled by registered Petroleum Geologist, Mr Paul Tromp, who has over 40 years of onshore oil and gas field experience. Mr Tromp consents to the inclusion of this information in the form and context in which it appears.

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.

¹ Refer to the Company's announcement dated 21 August 2023 titled '*Maiden Gas Reserves & Major Increase in Contingent Resource Confirms Positive Economics & Enormous Scalability*'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the announcement dated 21 August 2023 and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.