Kinetiko Energy

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08 December 2025

KKO - South Africa's Gas Solution

Equity Research Australia
Energy

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NEED TO KNOW

- **Production testing shows commercial scale gas flows**
- **Joint development agreement signed with FFS Refiners**
- **A$3.15m placement accelerates production and exploration**

Production testing proving successful: Kinetiko Energy (KKO) has made significant progress with production testing at the Kinetiko Gas Project focusing on the Brakfontein well cluster in permit ER271. Testing is delivering ongoing strong gas flows at commercial rates of 164,000 standard cubic feet a day (164Mscfd) of gas, with production to date of 8 million cubic feet (8MMcf) of gas at methane rates of 98.5%. When connected to further historical production test wells, KKO expects the wells will create the initial cluster of production wells that will supply a planned micro LNG pilot plant.

Joint development agreement with FFS Refiners to develop micro-LNG: KKO has signed a binding Joint Development Agreement for A$5.675m with FFS Refiners to co-develop a pilot gas plant to produce LNG at Brakfontein.

A$3.15m placement paves way for production and exploration: Funds from the raising (offer price A$0.065), will be mostly used to accelerate phase 1a of production wells at Brakfontein and undertake additional exploration to grow resources and reserves.

Investment Thesis

Prime location, long life, exploration upside: The KKO Gas Project, ~200km south-east of Johannesburg, sits within existing infrastructure including power generation, gas pipelines, high-voltage transmission lines, road and rail. The project hosts a 2C contingent gas resource of 6.0 trillion cubic feet (TCF), found in shallow sandstone and coal formations, indicating a potential long-life gas development. A further ~5.8 TCF of 2U prospective resource was certified over the undrilled areas.

Production; FFS Refiners agreement, government policy paves the way: SA Government policy regarding power generation and new gas supply has opened the door for KKO to advance agreements such as the FFS Refiners and the Government agency IDC, to enlarge the scale of field development enabling larger-scale LNG production.

Long-term production – SA 'gas cliff' creates multiple options for gas sales for KKO: SA's ageing, underinvested power generation (predominantly coal) infrastructure, and the cessation of gas imports in 2027, reflects the nation's significant energy shortage. KKO is enviably placed to be part of both a short and long-term, lower-carbon emission solution to SA's energy needs.

Valuation and Risks

We recommence coverage of KKO with our base-case valuation of A$0.49/share. We value the development of LNG and gas at the KKO Project in addition to a valuation on the substantial contingent resource base. We derive an alternative valuation of A$1.89 using average EV/Resource multiples. KKO has large potential as its assets are developed, reserves are certified and production increases. Key risks relate to development, reserves, conversion and funding.

Kinetiko Energy is an Australian company that explores and develops advanced shallow conventional gas and coal bed methane opportunities in South Africa. The company has a 6 TCF 2C contingent resource and > 5,000km2 in granted rights and application areas in the Kinetiko Gas Project. KKO's vision is to become a major player in South African onshore gas production. www.kinetiko.com.au

Valuation	**A$0.490**
Current price	**A$0.058**
Market cap	**A$88m**
Cash on hand	**A$0.7m** *(30 Sep 25) + A$3.15m cap raise Nov 25*

Upcoming Catalysts / Next News

Period	
4QCY25	Further production testing
1HCY26	Potential reserve upgrade
1HCY26	FFS LNG business case
2HCY26	Construction of LNG project

Share Price (A$)

Source: FactSet, MST Access.

Contents

Financial Summary

Figure 1: Financial summary (June year-end)

Kinetiko Energy Ltd (ASX:KKO)

Year-end 30 June		
Share Price	A$/sh	0.058
52 week high/low	A$/sh	0.10-0.04
Valuation	A$/sh	0.49
Market Cap (A$m)	A$m	88
Net Cash / (Debt) (A$m)	A$m	3
Enterprise Value (A$m)	A$m	85
Shares on Issue	m	1,536
Options/Performance shares	m	107
Other Equity	m	263
Potential Diluted Shares on Issue		1,906

Ratio Analysis	2024A	2025A	2026E	2027E	2028E
EPS (A¢)	(0.43)	(0.39)	(0.17)	(0.28)	(0.30)
P/E (x)	–	–	–	–	–
EPS Growth (%)		n/a	n/a	n/a	n/a
CFPS (A¢)	(0.31)	(0.35)	(0.19)	(0.29)	(0.31)
P/CF (x)	n/a	n/a	n/a	n/a	n/a
DPS (A¢)	–	–	–	–	–
Dividend Yield (%)	–	–	–	–	–
EV / EBITDA (x)	n/a	n/a	n/a	n/a	n/a
EV / boe (x)	–	–	–	9,064	10,240
EV / PJe (x)	–	–	–	1,511	1,707

Assumptions (Yr end Jun)	2024A	2025A	2026E	2027E	2028E
Brent Oil Price (US$/bbl)	82.2	73.6	75.5	76.7	78.6
Exchange Rate (A$1:US$)	0.7	0.6	0.6	0.6	0.6
Gas Price (A$/GJ)	13.4	13.8	14.2	14.5	14.9
Y/E Shares on Issue	1,224	1,433	1,665	1,740	1,906

Production	2024A	2025A	2026E	2027E	2028E
Gas (TJ/d)	–	–	–	0	0
Gas (PJ)	–	–	–	0.1	0.1
LNG (kt)	–	–	–	2.4	2.4
Oil / Condensate (mmbbl)	–	–	–	–	–
Total (mmboe)	–	–	–	**0.02**	**0.02**
Gas (mmboe)	–	–	–	0.02	0.02
LNG (mmboe)	–	–	–	–	–
Oil / Condensate (mmboe)	–	–	–	–	–

Reserves and Resources As at 1 July 2023*	Working Interest	1P Gas (bcf)	2P Gas (bcf)	3P Gas (bcf)	1C Gas (bcf)	2C Gas (bcf)
ER 271 *(Conventional Resources)*	100.0%	3.93	6.43	10.05	1,044	853
ER 270 *(Conventional Resources)*	100.0%	–	–	–	851	705
ER 272 *(Conventional Resources)*	100.0%	–	–	–	823	536
Total		**3.93**	**6.43**	**10.05**	**2,718**	**2,094**

NET ASSET VALUE (WACC 10.0%)	1 Dec 25	A$m	Risking	A$m	A$ps
Project Alpha LNG (5 -125 ktpa)	50%	84	85%	72	0.05
IDC Gas Project	70%	252	50%	126	0.08
2C Conventional (net of utilised gas) - risked	100%	2,778	20%	556	0.36
Total Operations		**3,114**		**753.2**	**0.49**
Net Cash / (Debt)		13	100%	13	0.01
Admin / Corporate / Other		(23)	100%	(23)	(0.01)
TOTAL VALUATION		**3220**		**743**	**0.49**

KKO Relative to XEJ 12 months

Profit & Loss (A$m)	2024A	2025A	2026E	2027E	2028E
Oil / Condensate Revenue	–	–	–	–	–
LPG Revenue	–	–	–	–	–
Gas Revenue	–	–	–	2	2
Revenue	–	–	–	**2**	**2**
Operating Costs	–	–	–	(2)	(2)
Government Resource Taxes	–	–	–	(0)	(0)
Exploration & Development Expen	(1)	(3)	(1)	(2)	(2)
Other Net Income / Expense	(5)	(2)	(2)	(2)	(2)
EBITDA	**(6)**	**(6)**	**(3)**	**(4)**	**(4)**
EBITDAX	**(5)**	**(2)**	**(2)**	**(2)**	**(2)**
Depreciation & Amortisation	0	0	0	(0)	(0)
EBIT	(5)	(6)	(3)	(4)	(4)
Net Interest Expense	0	0	0	0	(1)
Pretax Profit	(5)	(5)	(3)	(5)	(6)
Tax Expense / Benefit	–	0	–	–	–
Underlying NPAT	**(5)**	**(6)**	**(3)**	**(5)**	**(6)**
Exceptional items / non-recurring	–	–	–	–	–
Reported Profit	**(5)**	**(6)**	**(3)**	**(5)**	**(6)**

Cash Flow (A$m)	2024A	2025A	2026E	2027E	2028E
Pretax Profit	(5)	(5)	(3)	(5)	(6)
D&A & Other Non-Cash Items	1	0	(0)	0	0
Tax Paid	–	0	–	–	–
Cash from Operating Activities	**(4)**	**(5)**	**(3)**	**(5)**	**(6)**
Development Capex	(0)	(1)	(3)	(7)	(12)
Exploration Capex	(1)	(1)	(1)	(2)	(2)
Acquisitions/Other (Net of Sales)	(4)	–	–	–	–
Dividends Paid	–	–	–	–	–
Free Cash Flow	**(8)**	**(6)**	**(6)**	**(13)**	**(18)**
Cash Provided by Financing	11	0	19	15	18
Net Change in Cash	**4**	**(5)**	**12**	**3**	**0**

Balance Sheet (A$m)	2024A	2025A	2026E	2027E	2028E
Cash & short term deposits	7	2	14	17	17
Receivables	1	0	0	1	1
Inventories	–	–	–	0	1
Property, Plant and Equipment	0	1	4	12	24
Capitalised exploration	66	69	69	69	69
Intangibles and Goodwill	–	–	–	–	–
Other assets	0	1	–	–	–
Total assets	**75**	**73**	**88**	**99**	**112**
Creditors	1	1	1	1	1
Borrowings	1	0	–	5	14
Other liabilities	(0)	0	(1)	0	1
Total liabilities	**3**	**1**	**0**	**6**	**15**
Shareholder equity	72	72	88	93	97
Shareholder Equity + Total Liabilitie	75	73	88	99	112

Source: KKO, MST Access.

Quick Refresh on the KKO's Gas Project

KKO's 100%-owned gas project includes exploration rights:

• ER270, ER271 and ER272 (exploration rights granted)

• ER383 (exploration rights applied for).

This flagship asset covers ~5,366km^2 of exploration rights (granted and applied for).

Location – proximity to infrastructure and potential customers

The KKO Gas Project is located some 200km southeast of Johannesburg, the largest metropolitan area in South Africa (SA) (see Figure 2).

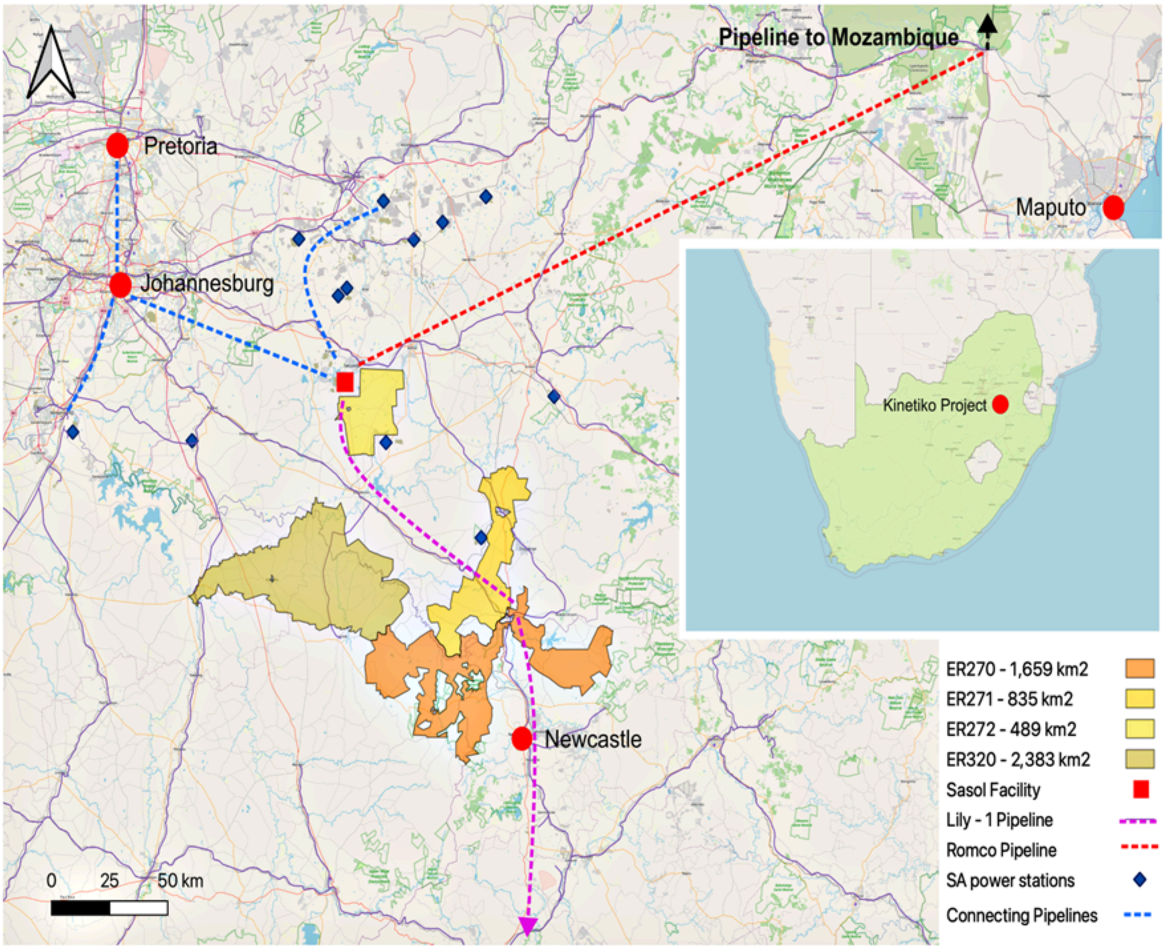
The project is adjacent to and surrounded by key infrastructure including power stations, gas pipelines, high-voltage transmission lines, road and rail.

Potential users of gas are located nearby, including Majuba Power Station (4kMW), which is capable of using gas to co-fire power generation and is only kilometres from planned drilling, and the Secunda refinery owned by Sasol (the largest gas consumer in South Africa), which is situated on the northern boundary of ER272.

Certified contingent resource of 6 TCF

KKO has gas reserves of 6.4 BCF assessed over a pilot gas production field, 2C contingent resource of 6.0 TCF and concurrent prospective resource (2U) of an additional 5.8 TCF convertible to contingent resource based on further exploration drilling.

Figure 2: The KKO Gas Project – location in South Africa



Source: KKO.

KKO's importance to SA's gas needs – the country is facing a 'gas cliff'

SA faces an acute risk of gas shortages, with converging events creating significant supply and infrastructure challenges over the coming years.

Heavy Mozambique dependency – and supply will be cut off

Roughly 90% of SA's natural gas is imported from Mozambique's Pande and Temane fields via the ROMPCO pipeline. Sasol, which operates these fields and the pipeline, has announced its intention to halt gas exports to SA by mid-2027 due to resource depletion, commercial constraints, and a shift to supply its own operations first.

When this supply ceases, there is no redundancy: the country's industrial users, gas-to-power plant ambitions, chemical manufacturing, and other reticulated customers will be stranded, threatening up to 400,000 jobs and up to 5% of national GDP.

Infrastructure gaps and import constraints

SA lacks both LNG import terminals and floating storage and regasification units (FSRUs), which means no infrastructure is in place to import and regasify LNG at scale.

There are no domestic gas-to-power or onshore gas-to-wire projects in operation or under near-term construction.

Domestic exploration (notably the Brulpadda and Luiperd fields, previously led by Total Energies) has not yielded new major production and faces technical, economic and regulatory headwinds.

Strategic responses and policy action

Policymakers are accelerating plans to:

- fast-track construction of FSRU projects at Matola (Mozambique) and Richards Bay, both targeting 2026–2027 start-up
- advance new offshore exploration and pipeline corridors that could eventually tap the Orange Basin and other reserves.

Major implementation risks persist, including financing delays, logistics, regulatory uncertainty and environmental concerns. Past LNG infrastructure projects in SA have struggled to meet deadlines.

Risks and implications

Without dramatic ramp-up of LNG import infrastructure or rapid domestic development, SA faces a severe and potentially protracted natural gas shortage starting around 2027.

The situation may also increase power costs, worsen load-shedding, and hurt industrial competitiveness due to exposure to volatile global LNG prices and lack of supply security.

Major Strategic Board Appointment: Mxolisi Mgojo

KKO made a key appointment in October 2025, naming Mxolisi Mgojo as a Non-Executive Director (NED). We view this appointment as a major achievement for KKO, highlighting the importance of KKO's gas assets to the future of SA's energy supply.

Mr Mgojo's appointment gives the KKO board one of the most experienced, well known and highly connected mining and energy executives in SA. In our view, this appointment endorses KKO's strategy and quality of assets.

Mr Mgojo is a experienced mining and energy executive with more than four decades of achievements across industry in SA, including serving as CEO of Exxaro Resources. Mr Mgojo has extensive experience dealing with SA government institutions and regulators.

Mr Mgojo was the President of the Minerals Council South Africa (2017–2021), joined the Business Leadership South Africa board in 2020, and was appointed President of Business Unity South Africa in January 2024. In 2022, Mr Mgojo was given the Business Leader of the Year honour at the All Africa Business Leaders Award. Later that year, Mr Mgojo was inaugurated into the SA Mining Hall of Fame for his leadership in SA's mining industry. Mr Mjobo adds strength to an already highly qualified Board that includes Robert Scharnell, who has had 30 years of experience with Chevron, and Don Ncube, a 22-year Anglo-American executive and Anglo board member.

Production Testing Proving Successful

Paves the way to commercialisation

2025 production testing success – path to commercialisation

During 2025, KKO ran a continuous production-testing campaign, moving from diagnostic work in early 2025 to substantially improved, sustained gas flows by October, optimising drilling techniques and production testing methods.

How it all played out

KKO's progress in 2025 has been substantial, with 2 production well tests currently flowing commercial rates and demonstrating the potential for long life. We look at the progress made by KKO over the course of 2025.

February 2025 – Early test performance and optimisation

In February, KKO reported performance from the first two production test wells, 271-23PT and 271-KV06PT, both in the southern ER271 area. 271-KV06PT reached 631 m, confirmed gas, flowed and was successfully flared, whereas 271-23PT showed gas but with underwhelming flow, suspected to be impacted by drilling-induced 'skin' or water block.

The company commissioned a drilling optimisation study focused on identifying water block, mud/foam damage and pressure-management issues, and set the stage for a re-engineered test methodology across a broader five-well program.

May 2025 – Transition to the multi-well Brakfontein program

In May, KKO flagged application of optimisation findings and planning for a five-well production-test cluster around Brakfontein in ER271. This involved updating well designs (deeper targets, refined mud programs, reduced/high-viscosity foam use) and sequencing to ensure that each new well both generates data and tests improved drilling parameters.

The Brakfontein multi-well production test program is the core of KKO's 2025 activity, explicitly tied to:

- resource growth from existing 6 TCF 2C and 5.8 TCF 2U
- providing deliverability and pressure data to underpin a planned pilot micro-LNG project
- a pivot from scattered test wells to a concentrated 'cluster' concept designed for near-term development, including eventual tie-in into a pilot LNG plant under a term sheet with FFS.

August 2025 – Optimised drilling success at 271-KA03PT10

This is the third Brakfontein production test well and a key 'proof-of-concept' for the optimisation strategy. The well was drilled vertically to ~417m with modified drilling fluids and pressure management, intersecting ~144 m net pay in the Lower Karoo sequence below a dolerite sill.

A short test delivered around 370 Mscfd, a material improvement on earlier wells. Technically, this validated the hypothesis that near-wellbore damage and water/foam effects, rather than reservoir quality, were suppressing flows.

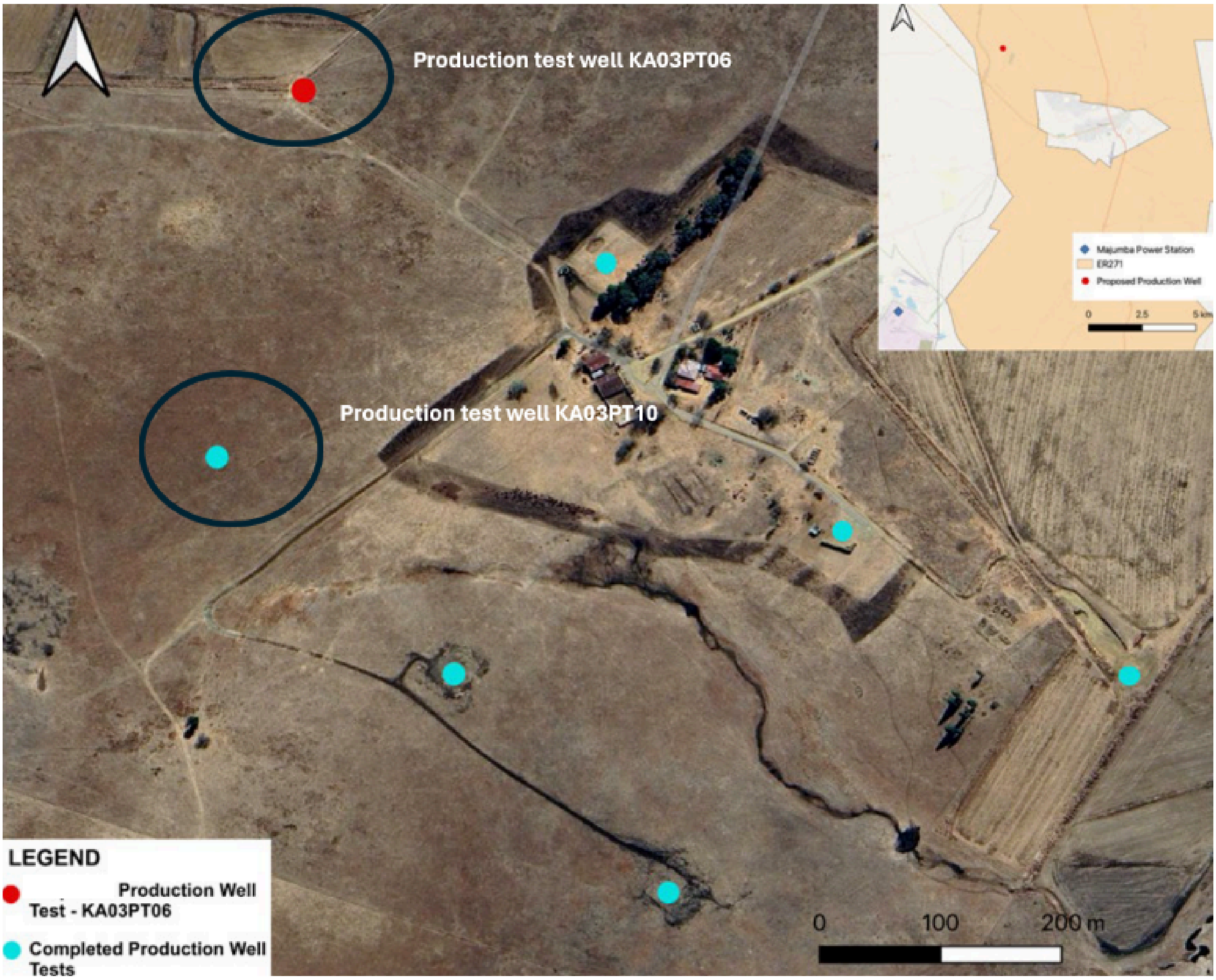
September 2025 – Consolidating optimisation across the cluster

Successful flow results were experienced across the Brakfontein cluster, reporting additional test data, logging outcomes and incremental refinements to drilling and completion. This indicated repeatability of strong gas shows in multiple wells and focus on minimising water influx, reservoir modelling and reserves conversion.

October 2025 – Record test from 271-KA03PT6

Production test well 271-KA03PT6 delivered the highest early-time flow rates recorded to date. As part of the Brakfontein cluster, it benefited from the optimisation learnings translating into a step-change in early production-test performance versus the February wells and a repeatable performance uplift.

Figure 3: Production test wells location



Source: KKO.

October 2025 – Extended flow testing

KKO reported continued flow testing from both 271-KA03PT10 and 271-KA03PT06.

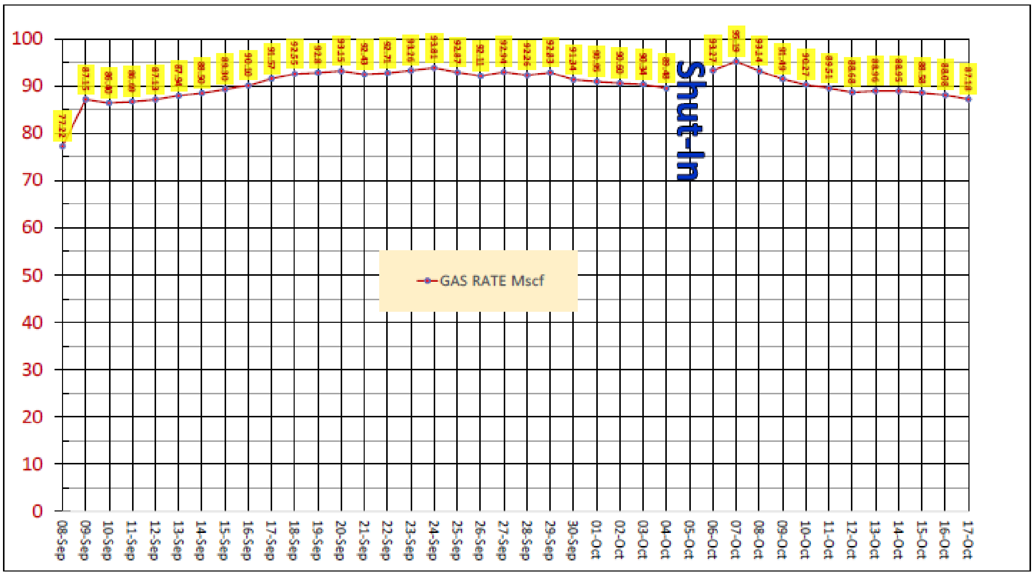
The flow testing showed strong and consistent gas flows, with high methane content of 98.5%.

Well 271-KA03PT10 – no discernible decline: The first production test well has not shown a discernible decline after 40 days of continuous flow testing and has produced a total gas volume of 3,522 Mscf at an average of 91 Mscfd.

- Detailed production testing: KA-03PT10 – benchmark extended test
  - Timing: August–September 2025
  - Scope: 16-day continuous open-flow, step-rate and choke-optimised test
  - Key results:
    - Avg sustained flow: 92 Mscfd (1,422 Mscf produced)
    - Methane content: >98%
    - Low water cut, minimal pressure drawdown
    - Exceeded Sproule B.V. 50 Mscfd commercial threshold
  - Relevance: provided commercial baseline for JV, offtake, and FEED model for micro-LNG

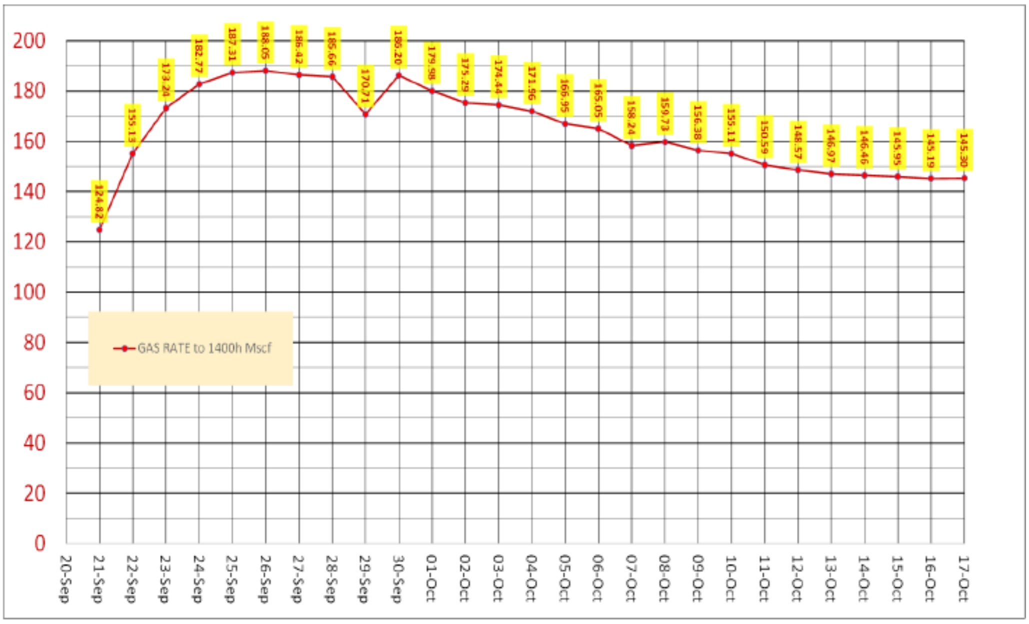
- **Well 271-KA03PT06 - some decline but higher rates.** The second production test well has started to decline but plateaued after 27 days of continuous flow testing and has produced a total gas volume of 4,432 Mscf at an average of 164 Mscfd.
    - Detailed Production testing
        - Protocol: 14-day open-flow, 48/64" choke, 94 psi diff, Lower Karoo, net pay 141.5m
        - Key results:
        - Peak: 188 Mscfd
        - 14-day avg: 162 Mscfd (2,273 Mscf produced)
        - Methane: 98.5%

Figure 4: Production test well 271-KA03PT10 – daily gas flow rates



Source: KKO.

Figure 5: Production test well 271-KA03PT06 – daily gas flow rates



Source: KKO.

Implications for reserves – strong potential for upgrade

Information from the extended flow tests will be used to model the economics of each production cluster and feasibility studies. The reserve calculation, completed by Sproule in July 2023, used an assumption of a 50 Mscfd 'initial rate' of gas from each well, which is Sproule deemed 'commercially viable'. Achieving extended flow rates significantly above this level from this production test program will add substantially to the development economics and reserve estimates.

Overview of KKO's achievements in 2025 – transformative

KKO advanced from pilot-scale resource testing to commercial feasibility, with cluster-wide production records and long-duration, high-rate well flows.

KKO shifted from 'single-well success' at 271-KA03PT10 to a field-scale methodology, in which subsequent wells are designed optimally, improving confidence in the cluster's aggregate output. That in turn supports a multi-well pilot production system feeding the proposed LNG facility, with data robust enough for lenders and offtakers.

KKO also transitioned from a non-binding JV term sheet to a signed, funded and operational Joint Development Agreement with FFS Refiners for Project Alpha – SA's first full onshore micro-LNG pilot (details discussed later in this report).

Well-supported capital raisings provided a stable funding production testing and further exploration.

Regulatory tenure was secured with key exploration renewals, and board capabilities were deepened with a major industry appointment (details discussed later in this report).

Next move towards commercialisation

The successful flow testing has allowed KKO to gain valuable information, which will now will be used to model the economics of each production cluster and for feasibility studies.

Both of the flow-tested wells are within 500 metres of historical production test wells. KKO expects that, when the two flow-tested wells are connected to the historical production wells, this will create the initial cluster of producing gas wells that will supply the planned micro LNG pilot plant that is being co-developed as part of a binding joint development agreement executed with FFS.

Capital Raising Sets Up KKO for Growth

In November 2025, KKO raised A$3.15m to fund the transition from test-phase to pilot project build-out.The raising was well supported with a strong mix of new and returning professional investors from Australia and SA. It will provide a financial bridge to the first JV funding tranches and the 2026 site mobilisation for LNG pilot construction.

The issue price of A$0.065 per placement share represents a discount of:

- 9.7% to the last traded price of A$0.072 (on 7 November 2025)
- 13.6% to the 30-day VWAP of A$0.0757.

The proceeds will be utilised for:

- Project Alpha Phase 1a gas production development;
- additional exploration near Majuba and other exploration rights
- working capital.

The funds complement the FFS Refiners Joint Development Agreement funding of A$2.52m, of which A$580,357 has been advanced.

Key cornerstone investor

The raising was cornerstoned by Talent 10 Holdings (led by recently appointed Non-Executive Director Mxolisi Mgojo) with the Talent 10 investment subject to shareholder approval.

Joint Development Agreement with FFS Refiners

Development of micro-LNG

KKO has signed a binding Joint Development Agreement (JDA) with FFS Refiners to co-develop a pilot gas plant for the production of LNG at Brakfontein.

The joint funding commitment for Phase 1a is ZAR64.312m (A$5.675m).

Details of the agreement

The agreement establishes development initiatives for the 'Project Alpha' gas pilot LNG plant.

Phase 1a – gas development activities

In this phase, the co-parties have agreed to:

- co-fund the drilling of five additional production wells and upgrade existing production wells at Brakfontein
- pursue gas testing and appoint a competent person for certification of gas reserves
- compile an LNG business case proposal for further gas field development
- co-fund the application for a production right
- create a Steering Committee for supervision and direction of the proposed development activities.

Phase 1b – LNG proof of concept (5,000tpa)

In this phase, the co-parties have agreed to:

- prepare an LNG business case with KKO and FFS each holding 50% of the issued share capital of a SPV owning the asset and being responsible for the ordering and commissioning a 5,000tpa LNG plant
- assess the capacity and design and construct gas, water and power reticulation systems, as well as organise the marketing and distribution of LNG to customers.

The outcomes of Phase 1b will be incorporated in the full-scale LNG production business case.

Phase 2 – full LNG production

In this phase, the co-parties have agreed to:

- scale up the potential production of LNG over an expanded production right area
- produce 25,000tpa of LNG.

Phase 3 – further LNG production expansion

In this phase, the co-parties have agreed to:

- further expand LNG production over additional tenement areas held by KKO beyond Brakfontein up to 125,000tpa of LNG.

Funding arrangements

The parties have agreed to an aggregate funding commitment to Phase 1a of approximately ZAR64.312m (A$5.675m).

The first ZAR20m for the Phase 1a budget will be 67.5% KKO and 32.5% FFS, with the balance of the funding provided equally 50% by KKO and 50% FFS.

Further funding of Phases 1b, 2 and 3 will be subject to the success of Phase 1a and will recognise historical exploration costs by KKO. This further funding may include third-party equity or debt investment.

KKO will be the operator for Phase 1a.

Who is FFS?

FFS Refiners is a leading SA supplier of industrial fuels, specialising in hydrocarbon solutions and bulk storage for industries including glass, brick, cement, energy and road construction. The company has developed a track record for supply reliability, innovative storage expansion and strategic transformation in the sector.

Company profile

FFS is SA's largest supplier of industrial heating fuels, with over 250 customers consuming more than 300,000 tons of fuel oil annually.

The company was founded in 1974 and is headquartered in Durban. It operates six process plants plus seven storage depots nationwide.

Key products include heavy and light fuel oils, specialty blends, base oils, coal-derived fuels, and marine fuels.

Achievements

FFS celebrated 50 years of operation in 2024, marking sustained innovation and market leadership.

Recent expansion projects include the acquisition of OTGC Terminals (now FFS Tank Terminals) to address industry gaps created by closures of SA oil refineries, enabling large-scale bulk liquid storage and import solutions for critical products such as bitumen.

The company has invested ZAR350m to expand capacity, directly supporting job creation and enterprise development for local contractors and the wider community. FFS Tank Terminals now function as hubs for bitumen import to support the Vala Zonke programme, helping eradicate potholes across SA.

Outlook and goals

FFS seeks ongoing sustainable growth, focusing on providing secure bulk supply and innovative energy solutions to meet the needs of industrial customers.

Current goals emphasise boosting storage and import capacity for strategic commodities (especially bitumen), supporting infrastructure programs to spur national economic recovery and transformation.

The company aims to maintain leadership in industrial and marine fuels while supporting expansion into LNG distribution and upstream energy development through joint ventures (such as the one with KKO).

IDC Agreements - Live Options

IDC Agreement 1 - binding agreement to develop gas production field

In April 2022 Kinetiko executed a joint development agreement and supporting agreements to jointly develop commercial gas production in the region within Exploration Right 12/3/271. The investment and development will be conducted through an incorporated special purpose vehicle named Afro Gas Development SA (Pty) Ltd (**AGDSA Project**).

The gas field development will be undertaken in two phases. The first will be the development of approximately 10 wells and the construction of a gas terminal with gas treatment and processing plant, metering station and pipeline gathering system. The second phase will comprise the commencement of gas production from existing wells and the development of a further approximately 10 wells along with the maintenance and expansion of facilities as required.

The ADGSA Project is budgeted to cost approximately R155m which will be contributed 45% (R70m) by the IDC and 55% (R85m) by Kinetiko. The contributions are to be made by shareholder loans repayable from ADGSA Project gas production revenues. Afro Energy has advanced R20m as part of its contribution for its 55% ownership of the joint venture.

The IDC has the first right to participate for up to 45% equity investment in any further special purpose vehicles relating to further gas production blocks up to a total of 60 wells.

The cash that has already been advanced by both parties.

IDC Agreement 2 - MOU for LNG Development

KKO has executed a non-binding Term Sheet with the Industrial Development Corporation of South Africa (IDC) to appraise and produce LNG at scale.

The project is staged as follows:

- deliver 60ktpa of LNG (50Mwe) initially
- planned to expand to 600ktpa of LNG (500Mwe) to become SA's largest onshore LNG project
- long term, IDC has the option to participate in further co-development to a cap of 1,800ktpa of LNG or 1,000MW LNG gas equivalent projects (1.5GWe), which will consume about 2 TCF of gas over two decades.

The starting operation is relatively small, representing a demonstration plant equivalent, but will allow KKO to ramp up and test the modular nature of the project. KKO expects that the 60ktpa LNG plant will be replicated to increase production.

Capital structure, financing and IDC participation for the first phase

The cost of the first phase of the project is estimated to be approximately A$138m, which will be split between equity (A$90m) and debt (A$48m).

The IDC would invest approximately A$52m for a 30% equity interest, and KKO will invest approximately A$38m for a 70% JV interest. KKO has the option to introduce third-party investors for its 70% interest in the project.

The IDC will underwrite equity shortfalls on KKO's 70% portion for the 50MW-equivalent project, but is required by policy to not exceed a 49% stake in any project in which it invests.

The 60ktpa (50MW equivalent) LNG is expected to be developed over 2–3 years with 600ktpa (500MW equivalent) LNG to be developed over 9–10 years.

IDC involvement with KKO - demonstrates government interest

The IDC, a wholly owned subsidiary of the SA Government, is mandated to promote economic growth and industrial development in SA. It is allocated specific funding from the SA treasury in order to pursue this mandate.

The IDC's involvement in the project at an asset level is a key indicator that the government is confident in the project's viability and keen to seek alternative sources for power generation.

Valuation: We See Big Upside in Any Scenario

We have looked at two different valuation methodologies (one as our base case, one as a cross-check) in order to arrive at what we view as a conservative risk-based valuation for KKO. Our base-case valuation of A$0.49 implies substantial upside from current levels and reflects the significant potential of the company's large resource.

Key strengths that support our positive view on KKO stock

We highlight some key reasons for our bullish view on KKO:

- **Well-explored assets:** KKO's assets have had a substantial amount of exploration (50 successful exploration wells from 50 attempts) and increasing appraisal performed on them over the last few years.
- **Reserves and resources:** The KKO Gas Project has independently assessed reserves, contingent resources and prospective resources.
- **Agreement with FFS for Project Alpha:** KKO has recently signed an agreement with FFS Refiners to develop a micro-LNG project.
- **Agreements with IDC:** KKO has a binding agreement with the IDC for a 30 well program as well as a much larger scale MOU with the IDC for an initial 60ktpa LNG plant, growing to potentially 600ktpa of LNG.
- **Commercialisation options:** KKO has many options for commercialising its gas over the long term. These include LNG for power generation, gas to power, LNG for transport converting from diesel and/or businesses converting from LPG, direct to pipeline and chemical derivatives (urea and ammonia).

Valuation overview and methodology

Valuing exploration assets, such as those of KKO, is quite a subjective process. A number of uncertainties are at play – test and appraisal works are in progress with more to be completed, and final financing is still uncertain.

For this reason, we have developed a base-case valuation, using a **risked DCF** analysis for the FFS Refiners agreements and an "all in" IDC model reflecting the small 30 well program and the larger LNG MOU. We have also included a risked estimate of the value of the large contingent resource base (based off an EV/Resource calculation as shown in Scenario 2).

Scenario 1 (base case): development of KKO gas asset – KKO Gas Project: A$0.49/share

Methodology for our base case: Our base-case valuation (see Figure 6) effectively implies that a KKO shareholder obtains the first stage of Project Alpha and gains exposure to the remainder of KKO's agreements with the IDC and substantial gas resources for free.

Figure 6: KKO valuation (base case)

Valuation	Working Interest	A$m	Risking	A$m	A$ps
Project Alpha LNG (5 -125 ktpa)	50%	84	85%	72	0.05
IDC Gas Project	70%	252	50%	126	0.08
2C Conventional (net of utilised gas) - risked	100%	2,778	20%	556	0.36
Total Operations		**3,114**		**753**	**0.49**
Net Cash / (Debt)		13	100%	13	0.01
Admin / Corporate / Other		(23)	100%	(23)	(0.01)
TOTAL VALUATION		**3104**		**743**	**0.49**

Source: MST Access.

Our base case incorporates a valuation of two major project opportunities for KKO.

- **Project Alpha (JV with FFS)** – risked at 75%; working interest for KKO 50%: This includes the planned development of a micro-LNG project with FFS Refiners and a 5,000tpa LNG plant (Phases 1a and 1b of the Joint Development Agreement) from FY27.We also assume the project increases to 25,000tpa (Phase 2 of the Joint Development Agreement) from FY29 and then increases to 125,000t of LNG from FY2032. We assume a production life of 20 years
- **The IDC agreement to develop an LNG project** - risked at 50%; working interest for KKO 70%: This includes the planned development of an LNG project with IDC building up to a 60,000tpa LNG plant from FY27. We assume a production life of 20 years and a capex of A$138m per the announcement. We assume that the initial 30 well program sits within this project.
- **The Valuation of 2C Gas resource: KKO Gas Project – most significantly**, we include the independently assessed 2C contingent resources, which we value using A$0.49 per bcf risked at 20% (see next section on EV/2C valuation where the market average value is A$0.49 per bcf).

Key assumptions for our base case DCF: Our DCF valuation is based on modelled cash flows using DCF analysis and is subject to future refinement once more public information comes to light and the projects are gradually de-risked. We calculate our base case on a fully diluted share base, assuming capital raises are required for the LNG projects.

We have used gas prices of the equivalent of A$15/GJ. We base our well costs on a conservative assumption of ~A$800k per well, with total capex for the 3 phases of Project Alpha being A$135m and the capex for the IDC agreement being A$138m.

Scenario 2 (‘cross-check’): EV/(2P+2C) – reserves and resources: A$1.89/share (based on peer group average)

A commonly utilised valuation methodology is to compare the value attributed by the market to the reserves and resources in the ground, most often by analysing EV/(2P+2C). This methodology is commonly practised by investors. In this case, we believe it shows the potential upside to KKO as the project is developed, reserves are certified and production is increased.

The simplest and most effective way to do this is to look across KKO’s peer group. Most of the peer group report a 2C figure but some do not have 2P. KKO’s 2C resource is 6 TCF on a 100% basis.

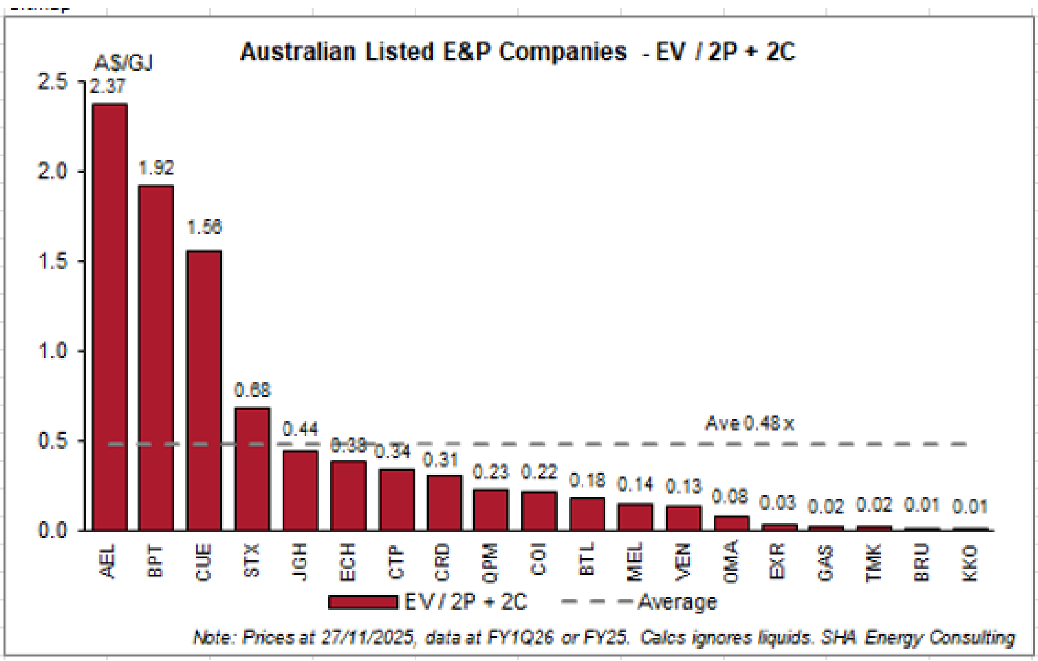
We have selected a group of small to mid-cap E&P companies at various life cycle stages, including producers. The median EV/(2P+2C) is $0.49/GJ as shown in Figure 7, but with a very wide range of $0.01–$2.37/GJ. KKO’s A$0.01 EV/Resource is the lowest of the group. we acknowledge that a South African based gas project will be looked upon as higher risk, however the **significant discount** that KKO trades on given the commercialisation opportunities in front of it, in our view, is excessive.

We see substantial opportunity for the equity market to rerate KKO’s resources once investors become more confident of the company's ability to execute.

If we apply a peer group median of A$0.48/GJ to the entirety of KKO’s 2C contingent resource booking, we achieve an implied valuation of A$2,888m or A$1.89 per share.

This is an unrisked number; however, it could also be considered that the market does apply a ‘risk factor’ to the multiples. We see the risk (discount) currently being applied to KKO as high given its early stage and position in SA. We believe that this is excessive and that, over time, the share price will likely rerate as KKO executes on its plans.

Figure 7: EV/Resource (valuation cross-check)



Source: SHA Consulting; company filings.

Positive catalysts for the share price and valuation

Development of first commercial production: The agreements with FFS Refiners and IDC to develop production is key to KKO's long-term strategy as well as its shorter-term cash flow generation. Meaningful progress on the project will be key to share price increases.

Further production testing success: Continued production testing success is key to proving the capacity and longevity of the wells and to develop a long-term production strategy. The production testing will also provide key data for further reserves upgrades.

More exploration success: KKO's current core program has delivered further gassy shows. Exploration success is a key catalyst to stock price performance.

Further reserves upgrades: Reserves are key to commercialisation of gas and for the company's ability to raise finance, and further upgrades would be a key near-term catalyst.

Additional resource upgrades: Conversion of prospective resources to contingent resources and contingent resources to reserves could be positive for the share price.

Further customer agreements: Gas sales agreements are key to cash generation and growth of the projects.

Project financing: Obtaining project financing is key to the development of the assets into commercialisation.

Early project delivery: The early commencement of any of the projects would mean cash flows were generated sooner and would reflect positively on management, which would likely boost the valuation.

Joint venture deals: Further Intelligent and innovative JV deals could add potential value to the portfolio of assets.

Gas price increases: Strong gas prices will be positive to commercialising the project. Once commercial, gas price increases would have a positive effect on the valuation and share price.

Government incentives: The SA Government has backed gas to help solve a genuine energy crisis. Further government incentives may accelerate and/or subsidise developments in the future and be a positive catalyst for KKO.

Risks to share price and valuation

Disappointing production testing: Production testing is key to proving the KKO model, and disappointing results could lead to share price underperformance.

Delay to project development: Delays to commercial production are a key risk to cash flow generation and the share price.

Lack of exploration success: A key to the growth and development of the project, lack of exploration success would be a negative for the stock.

Reserves and resources disappointment: The expectation of further reserves growth means any disappointing results would pose a risk to the share price.

Project financing: Obtaining project financing is key to the development of the assets into commercialisation; delay to this is a key risk.

Gas price decreases: Upon commercialisation, price decreases of the underlying commodity would be a negative for the valuation. Gas prices represent the key sensitivity for the valuation.

Reversal of government backing of gas: The SA Government has backed gas to solve an energy crisis. Any change in the political climate would risk this backing being removed.

Community opposition: Any failure to adequately manage and meet community expectations with respect to issues such as compensation for land access, exploration activity, employment opportunities, and impact on local business may lead to local dissatisfaction, disruptions in the exploration program and potential losses to the company.

Black Economic Empowerment (BEE) risk: Compliance with BEE requirements is key to operating in SA. Any issues that arise with BEE can put projects at risk.

Personal disclosures

Michael Bentley received assistance from the subject company or companies in preparing this research report. The company provided them with communication with senior management and information on the company and industry. As part of due diligence, they have independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in this report. They have taken care to maintain honest and fair objectivity in writing this report and making the recommendation. Where MST Financial Services or its affiliates has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid has, or will, directly or indirectly impact the content provided in this report.

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The companies and securities mentioned in this report, include:

Kinetiko Energy (KKO.AX) | Price A$0.058 | Valuation A$0.490;

Price and valuation as at 08 December 2025 (not covered)*

Additional disclosures

This report has been prepared and issued by the named analyst of MST Access in consideration of a fee payable by: Kinetiko Energy (KKO.AX)

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