

31 January 2017

DECEMBER 2016 QUARTERLY OPERATIONS REPORT

CORPORATE

Perth-based energy exploration company Kinetiko Limited (ASX: KKO) is pleased to report on corporate developments and its activities at the Amersfoort Project and adjacent tenements in South Africa and on its Kalahari Basin Gas Project in Botswana, for the quarter ending December 2016. Activities at the Amersfoort Project are carried out through Afro Energy Ltd, owned by Kinetiko Energy Ltd (49%) and its South African shareholder Badimo Gas Ltd (51%).

Afro Energy Exploration Rights & Applications

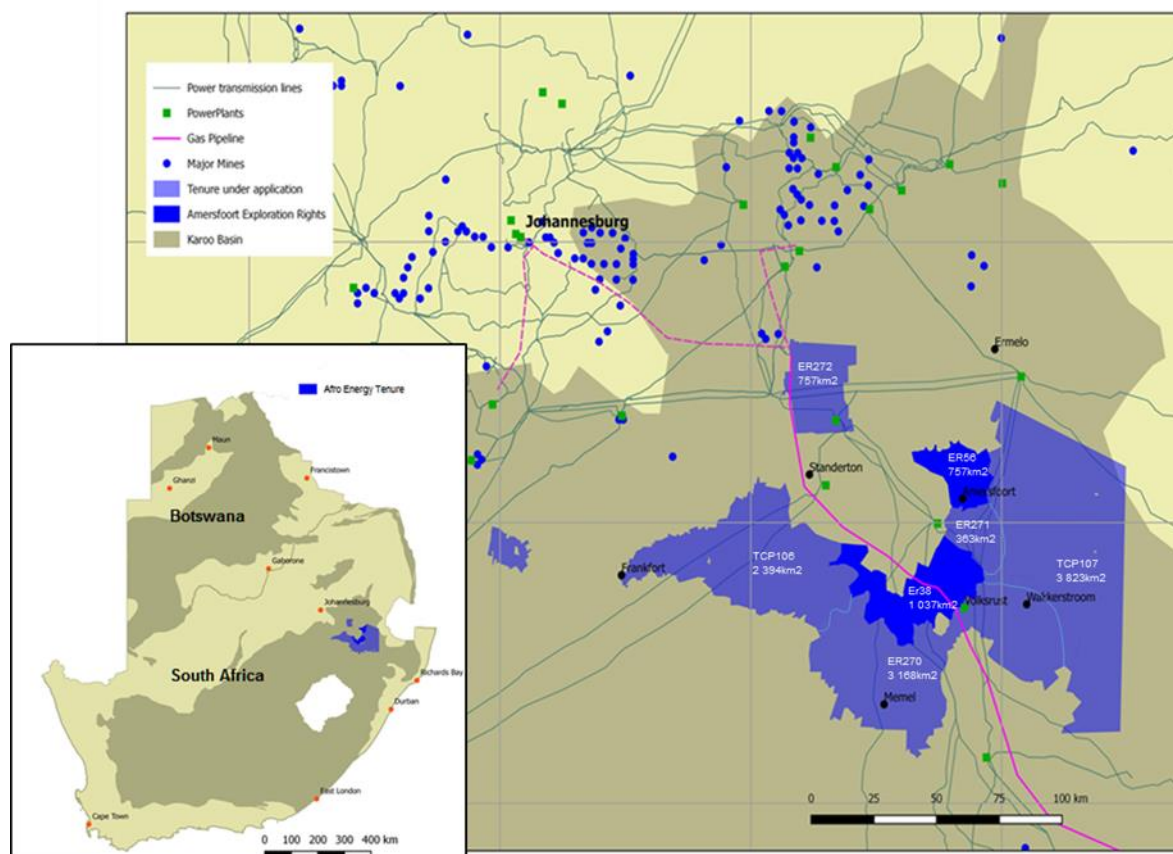


Figure 1

SUMMARY OF HIGHLIGHTS

- The Petroleum Agency of South Africa (PASA) granted the Section 11 application by Badimo Gas (Pty) Ltd and Kinetiko Energy Ltd to transfer its respective equity shareholding of 51% and 49% in 12/3/38ER and 12/3/56ER into Afro Energy (Pty) Ltd (AE) (see Figure 1). The Deeds of Assignments have been signed by both parties;
- The Petroleum Agency of South Africa (PASA) accepted Afro Energy's application for Exploration Rights (ER312/3/320 & ER 12/3/321), which will allow it to explore for petroleum and gas over the areas. These tenements were previously designated as TCP 106 and TCP107 under the technical co-operation permits carried by Afro Energy;
- Afro Energy appointed SLR Consulting to prepare the Environmental Application and Environmental Scoping Report as part of the exploration rights application for ER 12/3/320 and ER12/3/321 to PASA;
- Insurmountable environmental constraints highlighted by SLR Consulting during field investigation of the ER 12/3/321 tenement resulted in the withdrawal of Afro Energy's application for exploration rights in ER 12/3/321;
- SLR Consulting is currently finalizing its Environmental Scoping Report as part of Afro Energy's ER 12/3/320 exploration rights application. The submission of same is scheduled for 13 January 2017;
- Kinetiko Energy Ltd continued its engagement with the South African Industrial Development Corporation (IDC) to resolve issues, unrelated to the technical viability of the project. The IDC advised of its Executive Policy Committee decision not to fund the development of the Project as a result of the mentioned issue;
- Kinetiko submitted a proposed work program for ER56 and ER38 to the Afro Energy board for consideration.

OPERATIONS (Amersfoort Project South Africa - KKO 49%)

ER270, 271 & 272

PASA awaits the outcome of a planned Regional Mining Environmental Committee meeting regarding the Exploration Rights applications of tenements ER270, ER271 & ER272.

12/3//320ER & 12/3/321ER

PASA accepted 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.

Insurmountable environmental constraints highlighted by SLR Consulting during field investigation of the ER 12/3/321 tenement resulted in the withdrawal of Afro Energy's application for exploration rights in ER 12/3/321.

SLR Consulting is currently finalizing its Environmental Scoping Report as part of Afro Energy's ER 12/3/320 exploration rights application. The submission of same is scheduled for 13 January 2017

12/3/38ER

The Afro Energy board is currently reviewing the work program proposed by Kinetiko to be undertaken in 38ER in order to achieve a similar appraisal/production program of wells as that of 12/3/56ER. Kinetiko is promoting the acquisition of an aeromagnetic survey similar to that carried out on ER56 to enable optimal appraisal well location for two proposed well.

12/3/56ER

The next phase of the project will include both a monetization drilling and zone isolation drilling program conducted concurrently and in a way that one activity would not compromise the other. This will be achieved by locating the respective activities in separate but proximal, aeromagnetically defined compartments.

- Monetization drilling of up to 9 additional wells, which will be located within the aeromagnetically defined compartment that already hosts well KA-03PTR (Area 1) (Figure 2);
- The zone isolation (DST) drilling is planned to be conducted next to the previously drilled and plugged KA-02C core well (Area 4) (Figure 2). Two DST wells will be drilled and tested where after 8 appraisal/production wells, predicated on the results of the 2 DST wells, are planned.

PROJECT FUNDING

Afro Energy is progressing the fundraising campaign to underpin the above-mentioned programs and has to date achieved the following;

- Afro Energy elicited positive response from funding institutions culminating in an Expression of Interest from the IDC to fund and participate in the Project;
- To date the IDC has completed a successful 8-month technical, financial, commercial and legal due diligence on the Project and reached agreement with Afro Energy to provide funding for a pilot production development. This agreement was subject to, *inter alia*, IDC Executive Policy Committee approval;
- IDC advised of its Executive Policy Committee decision not to fund the development of the Project at this time due to an issue unrelated to KKO or the Project,
- Since the commercial viability of the Project remains robust, both Kinetiko Energy and Badimo Gas are currently exploring alternative funding opportunities for the Amersfoort Project and associated activities.

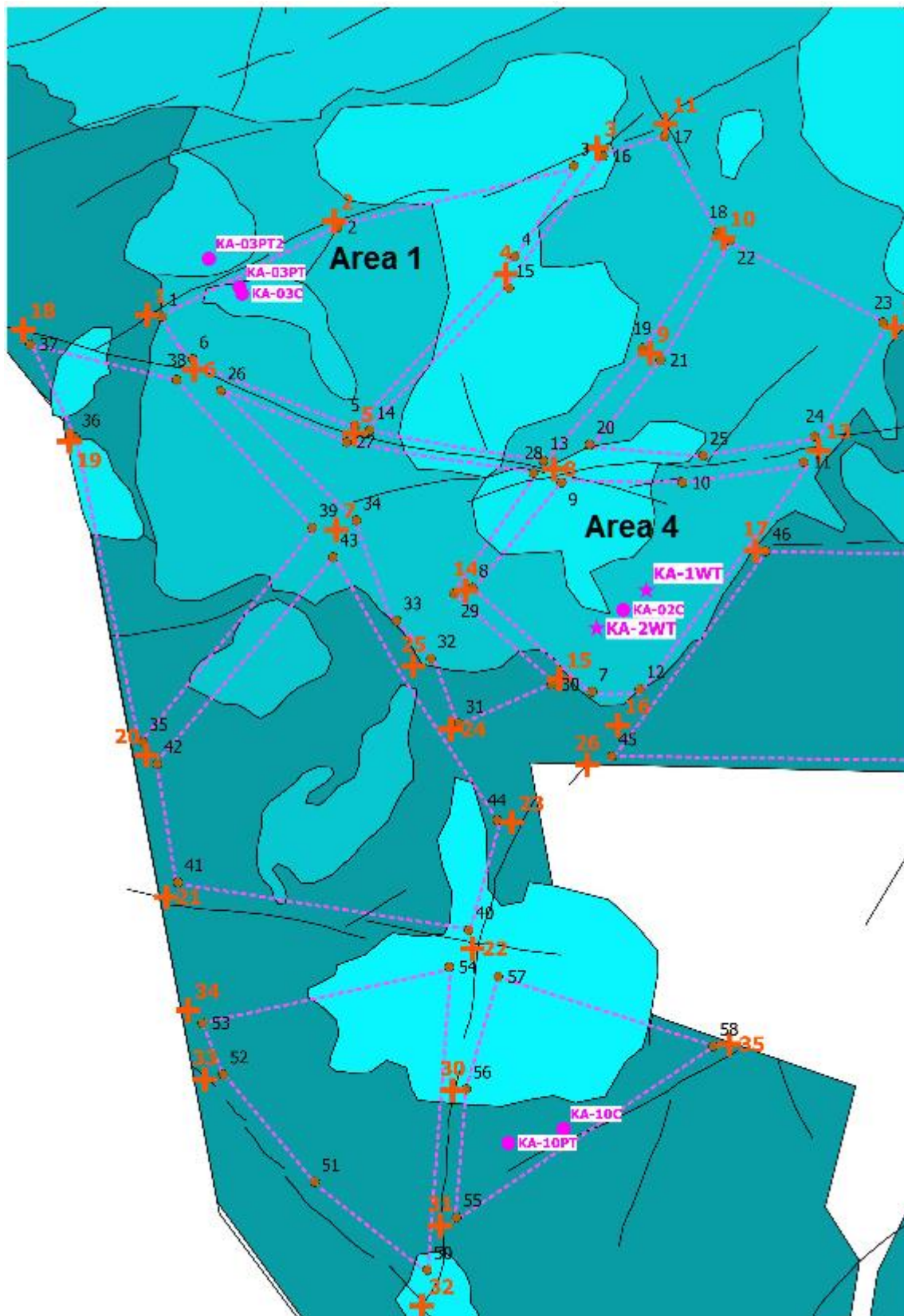


Figure 2 Proposed work program for Areas 1 and 4 - ER56.

OPERATIONS (Kalahari Basin Project Botswana - KKO 100% and Operator)

Kinetiko Energy Ltd holds 12 prospecting gas licenses covering a total of 9 927km² in the Kalahari Basin of Botswana (Figure 3).

Kinetiko has completed its desktop geological and geophysical evaluations of the above-mentioned tenements and concluded the results such that no further exploration is recommended.

Kinetiko subsequently informed the Department of Mines of its decision to relinquish the licences granted by the Minister of Minerals, Energy and Water Resources.

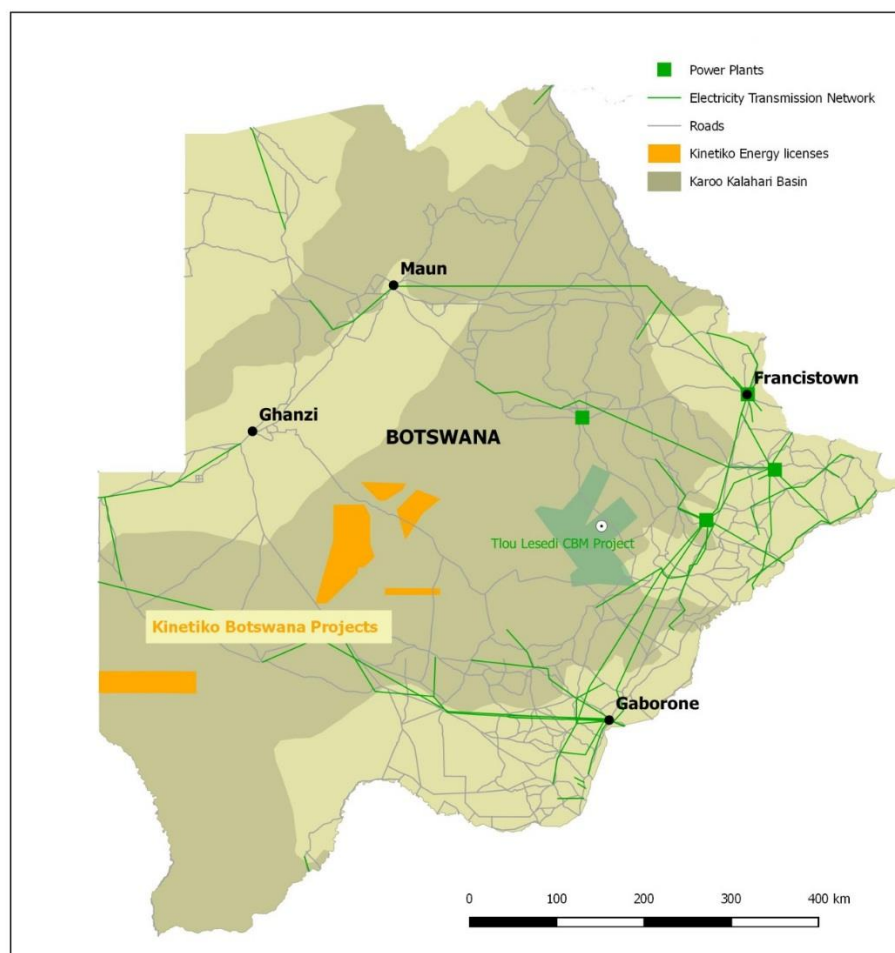


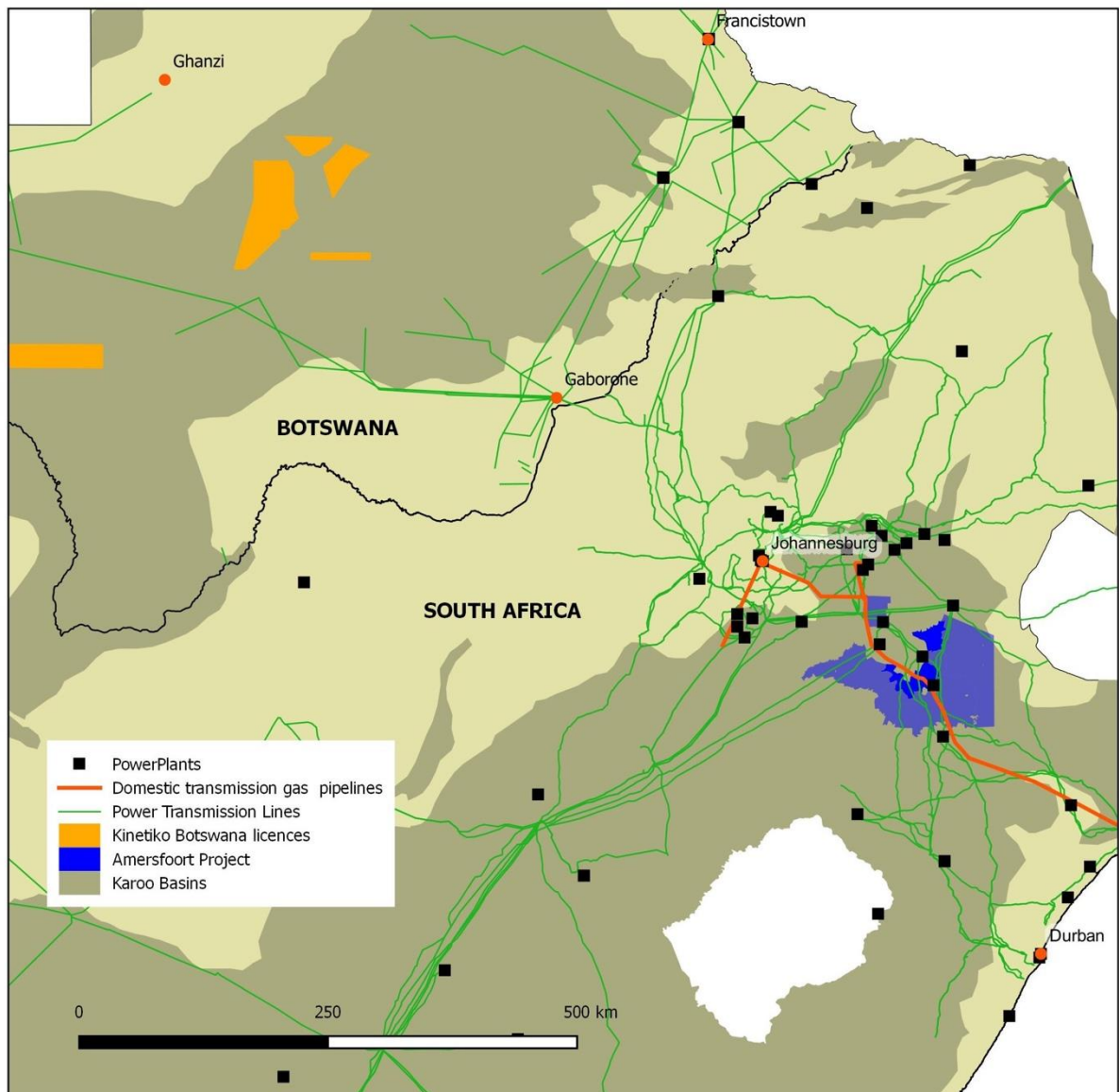
Figure 3 Location of the Kinetiko Energy Botswana tenure

TENURE

Clause	Area of Interest	Tenement reference	Nature of interest	Interest at Sep 16	Interest Dec 16
Amersfoort Project – South Africa					
		30/5/2/3/38ER	2 nd renewal period granted	49%	49%
		30/5/2/3/56ER	1 st renewal period granted	49%	49%
		ER320 (TCP 106)	Application for conversion from TCP to exploration right approved by regulator	49%	49%
Clause 10.1		ER321 (TCP 107)	Application for conversion from TCP to exploration right withdrawn	49%	0%
		ER 270	Recommended by Petroleum Agency of South Africa to Department of Mineral Resources	49%	49%
		ER 271	Recommended by Petroleum Agency of South Africa to Department of Mineral Resources	49%	49%
		ER 272	Recommended by Petroleum Agency of South Africa to Department of Mineral Resources	49%	49%
Botswana – 12 tenements					
Clause 10.1		PL 029	Application submitted for relinquishment to Department of Mines	100%	
Clause 10.1		PL 229 – PL 301	Application submitted for relinquishment to Department of Mines	100%	
Clause 10.1		PL 444 – PL 451	Application submitted for relinquishment to Department of Mines	100%	

About Kinetiko Energy

Kinetiko Energy is an Australian gas explorer focused on advanced gas and coal bed methane (CBM) opportunities in rapidly developing markets in Southern Africa. Its flagship Amersfoort project which is conducted through Afro Energy and its co shareholder Badimo Gas is being developed around the infrastructure rich and energy starved industrial region of South Africa. South Africa has extensive gassy coal basins, extensive energy infrastructure and a growing gas demand, making it an attractive area for investment.



For more information visit: www.kinetikoenergy.com.au

Or contact Geoff Michael or James Searle, Joint Managing Directors, Kinetiko Energy Limited
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** On the 17/2/2016 Kinetiko reported in full to the ASX the Gustavson and Associates LLC the new resource for ER56 at the Amersfoort Project. This resource remain current.*

Except where indicated, technical comments above have been compiled by James Searle BSc (hons), PhD, a Member of the Australian Institute of Mining and Metallurgy, and a Director of Kinetiko Energy Ltd with over 30 years' experience in metallic and energy minerals exploration and development, including over 5 years' experience in petroleum exploration. Dr Searle consents to the inclusion of this technical information in the format and context in which it appears.