



Kinetiko Energy Limited
ACN: 141 647 529

Suite 10, Level 1, The Spectrum Building
100 Railway Road
SUBIACO WA 6008

Phone: +61 8 6315 3500
Fax: +61 8 9481 1947

Email: info@kinetikoenergy.com.au

Web: www.kinetikoenergy.com.au

ASX: KKO

8 May 2017

ASX ANNOUNCEMENT

KINETIKO ENERGY PROCEEDING WITH DEVELOPMENT OF AMERSFOORT PROJECT

- **KKO to raise funds via a placement from major shareholders to provide short term funds to continue developing the Amersfoort project and working capital while negotiations continue with South African institutions to develop the Amersfoort project.**
- **12 months of development on the TCP's has culminated in applications for exploration rights being accepted by PASA. Approval thereof will increase the prospective area of Afro Energy's land position by approximately 360% in the areas immediately surrounding the Amersfoort project.**
- **KKO has advanced negotiations with several capable South African institutions such as the Industrial Development Corporation and Tosaco Energy who remain interested in funding and/or participating in the Amersfoort project.**
- **KKO's loan account with Afro energy stands at approximately \$2.55m with agreement reached that at least \$1.5m will be paid in priority to any dividends.**
- **12 month objective of the Company is to achieve the following:**
 - Continued Exploration And Project Development
 - Maiden Gas Reserves
 - Primary Off Take Agreements
 - First Production Revenues
- **Energy crisis remains a priority in South Africa with current high wellhead gas pricing of approximately AUD\$10/gigajoule.**

Kinetiko Energy Limited (ASX:KKO) ("**KKO**" or "**Company**") is pleased to announce it is proceeding with development of the Amersfoort project. A work program has been developed with Badimo Gas (Pty) Ltd ("**Badimo**") to continue exploration on the Amersfoort project. KKO now proposes to undertake a placement to raise up to \$300,000 (before costs) to fund further exploration of the assets of Afro Energy (Pty) Ltd ("**AE**") in which the Company owns 49% and KKO working capital. The short term funds to continue developing the Amersfoort project and working capital are designed to enable the Company to complete negotiations with South African institutions to provide further funds to develop the Amersfoort project.

Placement Terms

The Company is seeking to raise up to \$300,000 (before costs) through the offer of 12,000,000 ordinary shares at a price of \$0.025 each, to raise \$300,000 (before costs). ("**Placement**").

Further Exploration Plans

KKO is proposing a work program to undertake an additional 520 km² airborne ultra high resolution magnetic and radiometric survey in support of the existing survey and a phased zone isolation drilling program consisting of 3 – 5-wells. The placement and design of the wells will be predicated on the results of previous drilling and that of the aeromagnetic survey. Further funding either from third party investment or a further KKO capital raising will be required to complete these exploration plans.

New Exploration Rights Granted

Further to the Company's announcement dated 24 January 2013 regarding its application to secure further prospective geology by securing Technical Cooperation Permits ("**TCP's**") and following over 24 months of technical, environmental and commercial evaluation, AE has had its application for Exploration Rights ("**ER**") over the corresponding TCP106 area accepted by the Petroleum Authority of South Africa ("**PASA**"). AE will now continue to work with PASA to have this accepted application granted to full a ER. Once granted, the additional ER over TCP108 will take the total land over which AE holds ERs to approximately 8,188 Km² and increase the prospective area of Afro Energy's land position by approximately 360% in the areas immediately surrounding the Amersfoort project.

South African Financial Institutions Support

KKO has advanced negotiations with several capable South African institutions such as the Industrial Development Corporation and Tosaco Energy who remain interested in funding and/or participating in the Amersfoort project. The Company remains confident given the multitude of domestic parties that have shown interest in investing that third party funding will be achieved.

Loan Account Balance

Pursuant to the Dispute Resolution Agreement ("**DRA**") the parties agreed that KKO has a repayable loan to AE of approximately \$1.5m that will be repaid in priority to any dividends. Since the execution of the DRA KKO has continued to advance funds to meet AE expenditure and costs. The repayable loan now stands at approximately \$2.55m.

12 Month objectives

Despite the significant delays the Company has encountered and with both short term funding achieved, and further successful fundings anticipated, the Company believes that it is reasonable to set the following objectives for the next 12 months.

- 1) Continued Exploration And Project Development
- 2) Maiden Gas Reserves
- 3) Primary Off Take Agreements
- 4) First Production Revenues

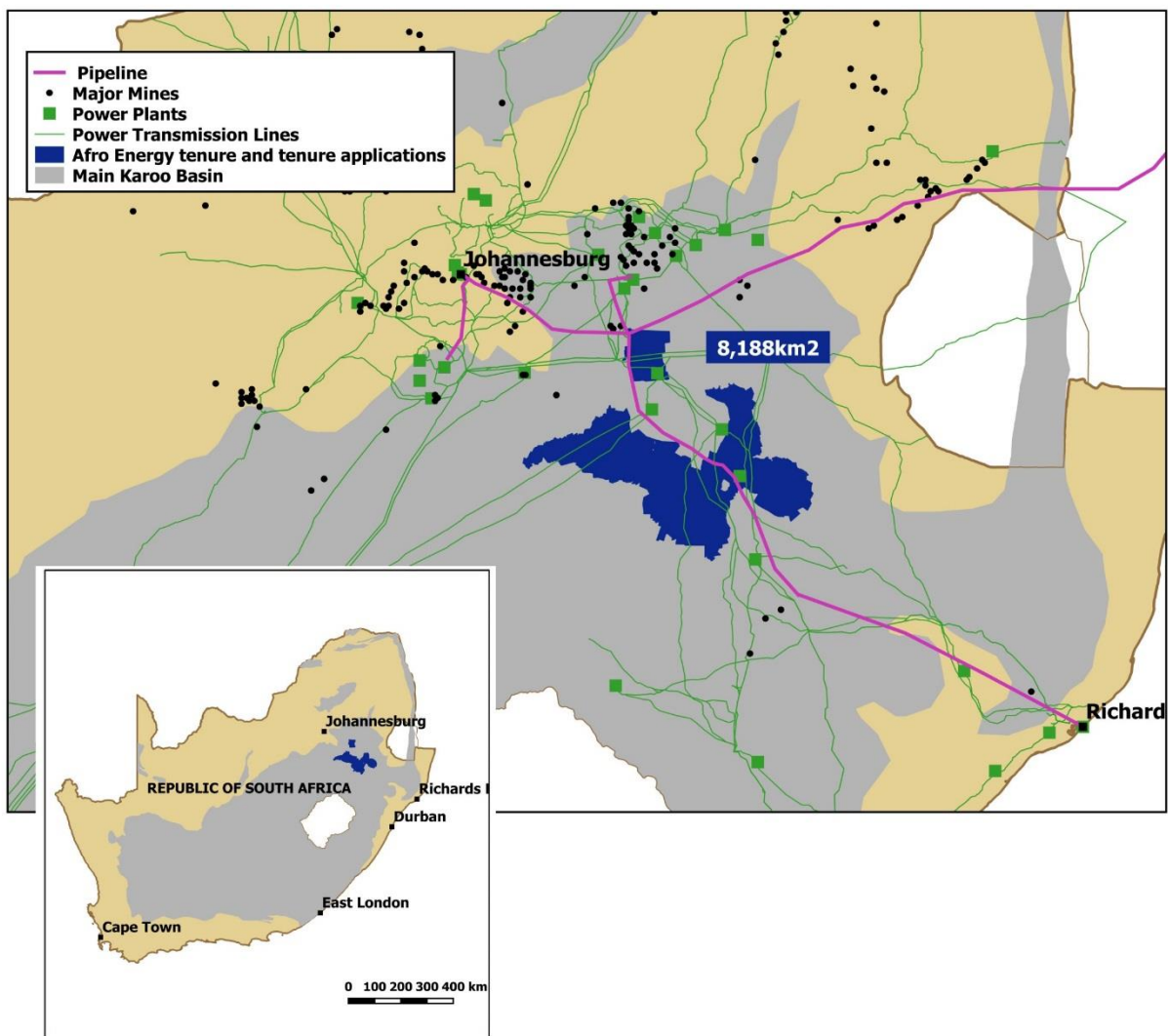
To achieve these objectives, the Company will need to:

- a) Complete a funding transaction with a South African institution with whom it is negotiating, or complete a further equity raising sufficient to develop a first pilot field as announced to the market on 19 October 2015.
- b) Commence the pilot field and demonstrate continued commercial flow rates from these wells.
- c) The Company has remained in communication with a number of potential off-takers for gas produced, and expected to be in a position to confirm an off-take agreement once maiden gas reserves are achieved.
- d) The Company announced to the market on 4 August 2015 that it had been granted a bulk sampling production approval to produce up to 500 million cubic feet of gas per annum for 2 years. The Company, subject to completing a pilot production field and executing an off take agreement, anticipates selling gas produced and achieving first production revenues.

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 8,188Km² is granted and being explored.

Afro Energy (Pty) Ltd. was incorporated as a joint venture founded in 2015 by Badimo Gas (Pty) Ltd of South Africa as majority owner (51%) and Kinetiko Energy Ltd (49%) in order to continue to explore, develop, and market gas from several Exploration Rights licenses and Technical Corporation Permits in the Amersfoort and adjacent Volksrust areas of South Africa. Afro Energy is the operator of the subject license.



For more information visit: www.kinetikoenergy.com.au or contact, Kinetiko Energy Limited on 08 6315 3500