

31st January 2018

December 2017 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 for the quarter ending December 2017. 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

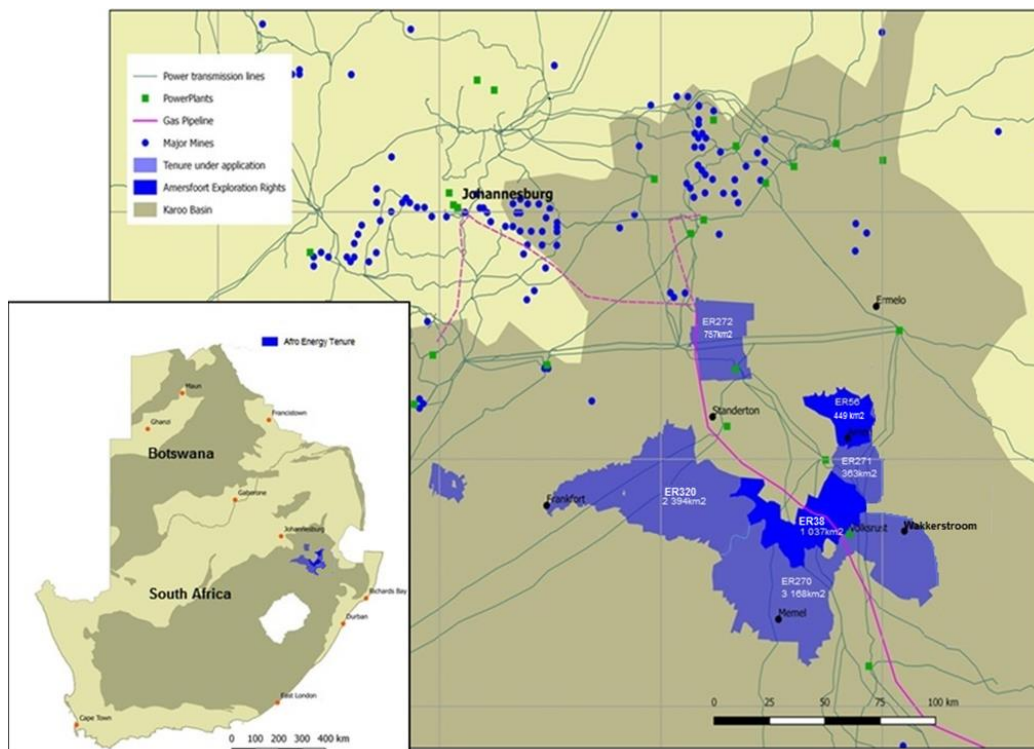


Figure 1

SUMMARY OF HIGHLIGHTS

- **Exploration Right ER 12/3/320 (ER320)**
 - **Subsequent to the approval by The Petroleum Agency of South Africa (PASA) of Afro Energy's Environmental Scoping Report, the company commenced with the Environmental Impact Assessment by SLR Consultants as part of the exploration rights application for ER 320;**
 - **SLR Consulting commenced the Environmental Impact Assessment and Environmental Management Program as part of the exploration rights application. Due to conflicting regulations between the Petroleum Agency of South Africa (PASA), the Department of Mineral Resources (DMR) and the Department of Water and Sanitation, an application by Afro Energy for an extension of the date of submission for the EIA and EMPR has been granted by PASA to allow the relevant authorities to clarify the regulations and its related guidelines. The submission of same is now scheduled for 31 July 2018;**
- **Kinetiko Energy Ltd continued its engagement with the South African Industrial Development Corporation (IDC) to explore alternative avenues for the funding of the Amersfoort project. The IDC reconfirmed its support to funding the project once the mentioned issues have been resolved; and**
- **Kinetiko, on behalf of Afro Energy, submitted renewal applications for exploration rights ER38 and ER56 for a further two-year period. The applications are currently under review by PASA.**

OPERATIONS (Amersfoort Project South Africa - KKO 49%)

ER270, 271 & 272

PASA received the outcome of the Regional Mining Environmental Committee meeting regarding the Exploration Rights applications of tenements ER270, ER271 & ER272 and is preparing a recommendation to the Department of Mineral Resources. PASA is currently awaiting a response from the DMR.

12/3//320ER

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.

An application to extension by Afro Energy of the date of submission of the EIA and EMPR has been granted by PASA to allow them, Department of Mineral Resources and the Department of Water and Sanitation to clarify exceptional circumstances of the application with regards to placement of exploration wells. Regulations under the different departments

are currently not aligned with regards petroleum exploration. The submission of same is now scheduled for 31 July 2018

12/3/38ER

Kinetiko, on behalf of Afro Energy, submitted a renewal application for exploration right ER38 for a further two-year period.

The Kinetiko board approved the inclusion of a work program in the renewal application consisting of a 10 229 line-kilometre high-resolution aeromagnetic survey (460km²) over a pre-defined area within ER38. In addition and as an initial phase, Afro Energy proposed the drilling of one zone interval well under the existing approved Environmental Management Program within ER38. The positioning will be predicated on the results of the aeromagnetic survey and its interpretation. As a next phase the drilling of a further 7 wells within ER38, also under the currently approved Environmental Management Program, will be determined by the outcome of the aeromagnetic survey and the geological interpretation of the interval drilling program.

The applications are currently under review by PASA.

12/3/56ER

Kinetiko, on behalf of Afro Energy, submitted a renewal application for exploration right ER56 for a further two-year period.

The Kinetiko board approved the inclusion of a work program in the renewal application consisting of a 1 334 line-kilometre high-resolution aeromagnetic survey (60km²) which will be obtained over a pre-defined area within ER56 to supplement the 145 km² previously obtained in the area. In addition and as an initial phase, Afro Energy proposed the drilling of one zone interval well under the existing approved Environmental Management Program within ER56. The positioning will be predicated on the results of the aeromagnetic survey and its interpretation. As a next phase the drilling of a further 7 wells within ER56, also under the currently approved Environmental Management Program, will be determined by the outcome of the aeromagnetic survey and the geological interpretation of the interval drilling program.

The applications are currently under review by PASA

PROJECT FUNDING

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

- Notwithstanding the decision by the IDC's Executive Policy Committee not to fund the development of the Project at this time due to an issue unrelated to KKO or the Project, the IDC management has confirmed its support for funding the project once the above-mentioned issue has been resolved.
- 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.

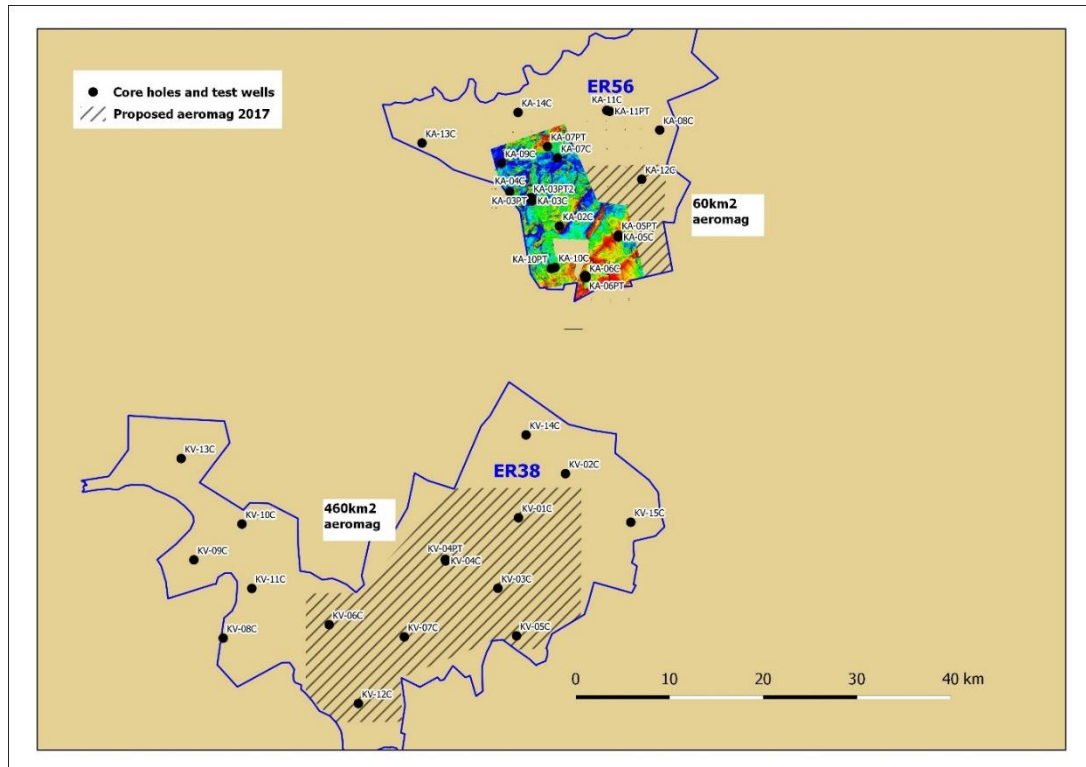


Figure 3 Proposed aeromagnetic surveys 2018

TENURE STATUS

Clause	Area of Interest	Tenement reference	Nature of interest	Interest Dec 2017
Interest	Amersfoort Project – South Africa	30/5/2/3/38ER	2 nd renewal period granted. Under 3 rd renewal application.	49%
		30/5/2/3/56ER	1 st renewal period granted. Under 2 nd renewal application.	49%
		ER320 (TCP 106)	Application for conversion from TCP to exploration right approved by regulator.	49%
		ER 270	Recommended by Petroleum Agency of South Africa to Department of Mineral Resources.	49%
		ER 271	Recommended by Petroleum Agency of South Africa to Department of Mineral Resources.	49%
		ER 272	Recommended by Petroleum Agency of South Africa to Department of Mineral Resources.	49%



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.