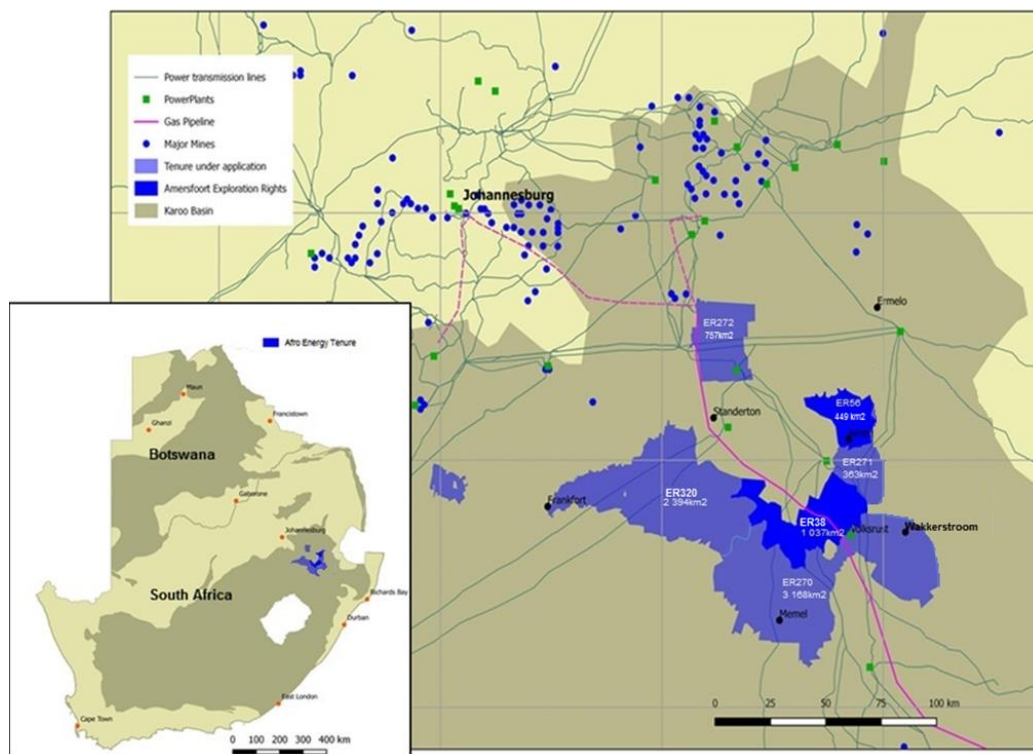


**QUARTERLY OPERATIONS REPORT ENDING 30 SEPTEMBER 2018**

**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 (Figure 1) for the quarter ending September 2018. 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 12/3/56ER**

- **World leaders<sup>1</sup> in the design and provision of process control and pumping systems Endress & Hauser AG and Franklin Electric Co. Inc have teamed up to provide an innovative pumping, separation and control package that has been trialled on the previously flow-tested well KA-03PT.**
- **Joint estimated cost of tests amounts to approximately US\$675,000 (AUD\$950,000)**
- **The initial phase of equipment testing was carried out between the 3<sup>rd</sup> and 7<sup>th</sup> of September and was intended to provide important data on equipment performance.**
- **The equipment achieved to enhance a new high level of water gas separation efficiency.**
- **An absolute open flow rate of 300Nm<sup>3</sup>/hr was achieved at a 2.15bar wellhead pressure without any well clean up or other optimised parameters.**
- **Gas quality at the exceptional level of 95.5% methane was over 1% above previous levels and could eliminate the need for treatment before commercial trading.**
- **The efficiency of the tested well head separator and control systems suggests there could be major commercial advantages for field development with one separator and control system package serving multiple wells.**

### **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 (EIA) by SLR Consultants as part of the exploration rights application for ER 320;**
- **SLR Consulting subsequently commenced the EIA and Environmental Management Program (EMP) as part of the exploration rights application. Due to conflicting regulations between the PASA, the Department of**

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<sup>1</sup> Endress+Hauser is a Swiss-based instrumentation and process automation company. Endress+Hauser operates in the instrumentation market with offices around the world, producing instruments measuring level, volume flow, mass flow, density, pressure, and temperature

**Mineral Resources (DMR), the Department of Environmental Affairs 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.**

- **Kinetiko Energy Ltd continued its engagement with the South African Industrial Development Corporation (IDC) and other potential funders to explore alternative avenues for the funding of the Amersfoort project. The IDC reconfirmed its support to funding the project once the issues unrelated to the project 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%)**

##### **12/3/56ER**

Kinetiko, on behalf of Afro Energy, submitted a renewal application for exploration rights 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 (60km<sup>2</sup>) (Figure 3) which will be obtained over a pre-defined area within ER56 to supplement the 145 km<sup>2</sup> 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 EMP within ER56. Its 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 EMP, will be determined by the outcome of the aeromagnetic survey and the geological interpretation of the interval drilling program. The application remains under review by PASA.

As part of an ongoing exploration and appraisal on its Amersfoort project, Kinetiko has commenced with activities alongside two international experts, Endress & Hauser AG, a global leader in the design and marketing of systems that are used in artificial lifting, separation and

flow control in gas production and Franklin Electric Co. Inc<sup>2</sup>., another global business that provides flow control instrumentation used in real-time measurement of gas, fluids and particulates (Figure 2).

### **Endress & Hauser/Franklin Electrical Test Equipment**



**Figure 2**

Initial indications from the equipment testing are a 95% recovery of gas from produce groundwater, a significant increase from previously used separation equipment. A 99.5% methane content on the produced gas, an improvement of 1%, suggests that gas treatment could be eliminated in the commercial trading of the gas. The improved efficiency of the equipment tested further suggests that multiple wells could be produced through a single separator, another major commercial benefit.

Endress Hauser will provide a comprehensive engineering review of the test work in due course. This will enable Kinetiko to conduct planned optimised flow tests following well clean up procedures.

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<sup>2</sup> Franklin Electric, situated nearby Fort Wayne, Indiana in the USA, is a class leading manufacturer of submersible pumps, submersible electric motors, and components for application in flow control instrumentation used in real-time measurement of gas, fluids and particulates..

### **12/3/38ER**

Kinetiko, on behalf of Afro Energy, submitted a renewal application for exploration rights 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 (460km<sup>2</sup>) (Figure 3) 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 EMP 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 EMP, will be determined by the outcome of the aeromagnetic survey and the geological interpretation of the interval drilling program. The application remains under review by PASA.

### **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 for approval 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. Work conducted by SLR Consulting has temporarily been interrupted until conflicting regulations between PASA, DMR, the Department of Environmental Affairs and the Department of Water and Sanitation have been resolved by those departments. Afro Energy successfully applied to PASA for an extension of the date of submission for the EIA and EMPR to allow the relevant authorities to clarify the regulations and its related guidelines.

The clarification process between the various ministries and PASA was further delayed due to an Eastern Cape High Court order setting aside the Regulations in question. Although the Department has appealed the order, any substantial work/progress on the matter will only recommence once the decision on the appeal is made.

For the time being, the submission date of EIA and EMPR same is now scheduled for 01 August 2019.

## PROJECT FUNDING

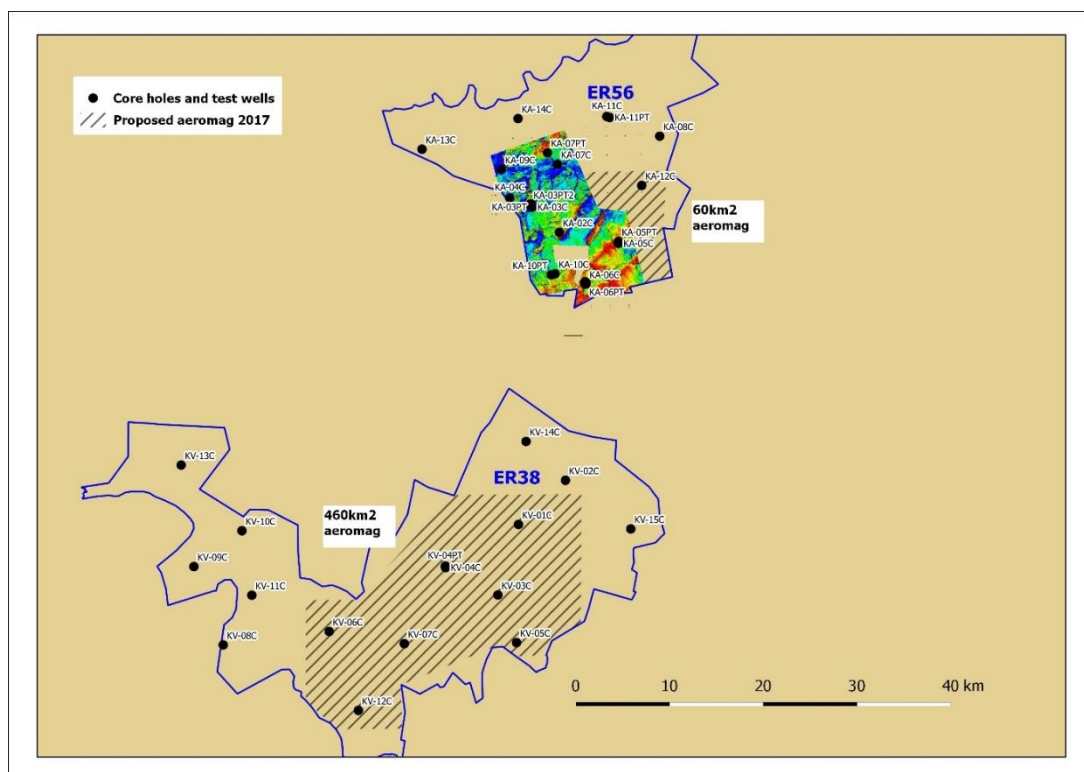
Kinetiko is progressing with fundraising initiatives to underpin the above-mentioned programs and has to date achieved the following;

- 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; and
- 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.

## FINANCIAL STATEMENTS

Following lodgement of the 2018 Annual Report, the Company is liaising with ASX in relation to the requirements for reinstatement of its securities to trading.

### Proposed aeromagnetic surveys 2018



**Figure 3**

## TENURE STATUS

Clause	Area of Interest	Tenement reference	Nature of interest	Interest Sept 2018
Interest	Amersfoort Project – South Africa			
		30/5/2/3/38ER	2 <sup>nd</sup> renewal period granted. Under 3 <sup>rd</sup> renewal application.	49%
		30/5/2/3/56ER	1 <sup>st</sup> renewal period granted. Under 2 <sup>nd</sup> renewal application.	49%
		ER320 (TCP 106)	Application for conversion from TCP to exploration right approved by regulator. PASA granted an application for extension for EIA due to regulatory delays.	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](http://www.kinetikoenergy.com.au)*

*Or contact Geoff Michael or James Searle, Joint Managing Directors, Kinetiko Energy Limited  
+618 6315 3500*

*\* 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.*