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ASX: KKO

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MARCH 2015 QUARTERLY OPERATIONS REPORT

Perth-based energy exploration company Kinetiko Limited (ASX: KKO) is pleased to report on corporate developments and its activities at the Amersfoort Project in South Africa and on its Kalahari Basin Gas Project in Botswana, for the 2015 March quarter.

Highlights

Subsequent to the end of the March Quarter and as reported to the Australian Stock Exchange on the 21st of April Kinetiko Energy Ltd (“Kinetiko”) and Badimo Gas (PTY) Limited (“Badimo”) have executed an agreement to resolve all disputes between the parties concerning the Amersfoort Project in South Africa. As part of this resolution the parties have agreed to pool their interests in a new incorporated Joint Venture, Afro Energy.

Executive Chairman of Badimo and Afro Energy Mr Don Ncube commented *“The resolution of this dispute provides a golden opportunity to monetise the Amersfoort project and to achieve proof of concept. The successful commercialisation of the project will encourage us to accelerate the development of a clean gas resource play and enable us to move up the value curve. Above all this is an opportunity to demonstrate that we are a true first mover in the production of on-shore natural gas in South Africa. This is a potential game changer at a crucial point in time when South Africa is facing enormous energy challenges and constraints”*

In response chairman for KKO Mr Adam Sierakowski stated *“Kinetiko is delighted to again progress the Amersfoort project with Badimo in a new structure designed to induce further investment and expedite development”*

CORPORATE

Kinetiko Energy Limited (ASX:KKO) along with its partner in South Africa Badimo are pleased to announce that the parties have executed a dispute resolution agreement (the “Agreement”) facilitated by AC2 and dated 17 April 2015.

The Agreement in particular resolved the issue of all alleged outstanding cash calls made against Badimo. In addition, the application made by KKO in relation to the deemed transfer of Badimo’s 51% right in the Amersfoort project has been withdrawn.

The key terms of the Agreement are summarised as follows:

Claims and Farm Out Agreement

1. That all claims or alleged breaches by either party are waived, irrevocably abandoned and extinguished;
2. The Farm Out Agreement dated 14 June 2010 has been terminated; and
3. Any deemed transfer by one party to another prior to the execution of the Agreement is abandoned or extinguished.

New Structure

1. A new joint venture is established in relation to Afro Energy with a Memorandum of Incorporation to capture the principles of the Agreement;
2. The initial two directors of the joint venture shall be a representative from Badimo and a representative from KKO;
3. A joint operating committee shall be established and constituted by Afro Energy with a representative from Badimo and a representative from KKO;
4. The objective of the new structure is to maximise the long term value of the assets of the joint venture, with a recognition that funding from outside sources will be required.
5. Subject to KKO (if necessary) obtaining any and all required shareholder or Australian regulatory approval and the parties obtaining all South African regulatory approvals the Amersfoort project assets shall be transferred into Afro Energy.

Joint Operating Committee

1. The joint operating committee shall operate by mutual consent unless there is a dispute on technical matters in which case an independent expert shall be retained to adjudicate the dispute and decision will be final.

Funding of Afro Energy

1. AC2 has been mandated by both parties to secure funding for the exploration, development and commercialisation of the Amersfoort project.

Work Plan

1. The parties agreed as a starting point to commercialise current gas resources and embark upon a pilot drilling program to enhance resource certification and to optimise economic returns.

OPERATIONS

Amersfoort Project, South Africa

As indicated in the April 21st announcement to the ASX and as summarised above, Afro Energy will now seek to move ahead as soon as possible to commercialise the gas discovery at Amersfoort. This will involve a pilot drilling program. The aim being to achieve initial reserves and demonstrate its economic potential. Kinetiko Energy looks forward to updating the ASX in due course.

Kalahari Basin Project, Botswana (KKO 100% and Operator)

Kinetiko Energy Ltd holds 12 prospecting gas licenses covering a total of 7,093km² in the Kalahari Basin of Botswana (Figure 1). The Kalahari Basin is known to contain extensive coal deposits and has been recognised as having major coal bed methane potential. The gas market fundamentals are attractive with the opportunity to replace expensive diesel fired power generation and supply growing domestic and cross border energy demand.

The Kinetiko license areas were selected after basin studies indicated the potential for deep coal facies within the basin and related gas in sandstone accumulations. The gas potential of the Kalahari Basin has been further demonstrated with recent reports of successful flow commencement by Tlou Energy Ltd at its Lesedi CBM Project (Figure 1) Selemo 1P and Mopani 2P wells. On the 6th of January 2015 Tlou reported a peak gas flow rate of 395,300scf/d from the Selemo Pilot well.

Kinetiko is working towards geophysical surveys later this year which will assist in siting drill holes for stratigraphic targetting and down hole electrical logging.

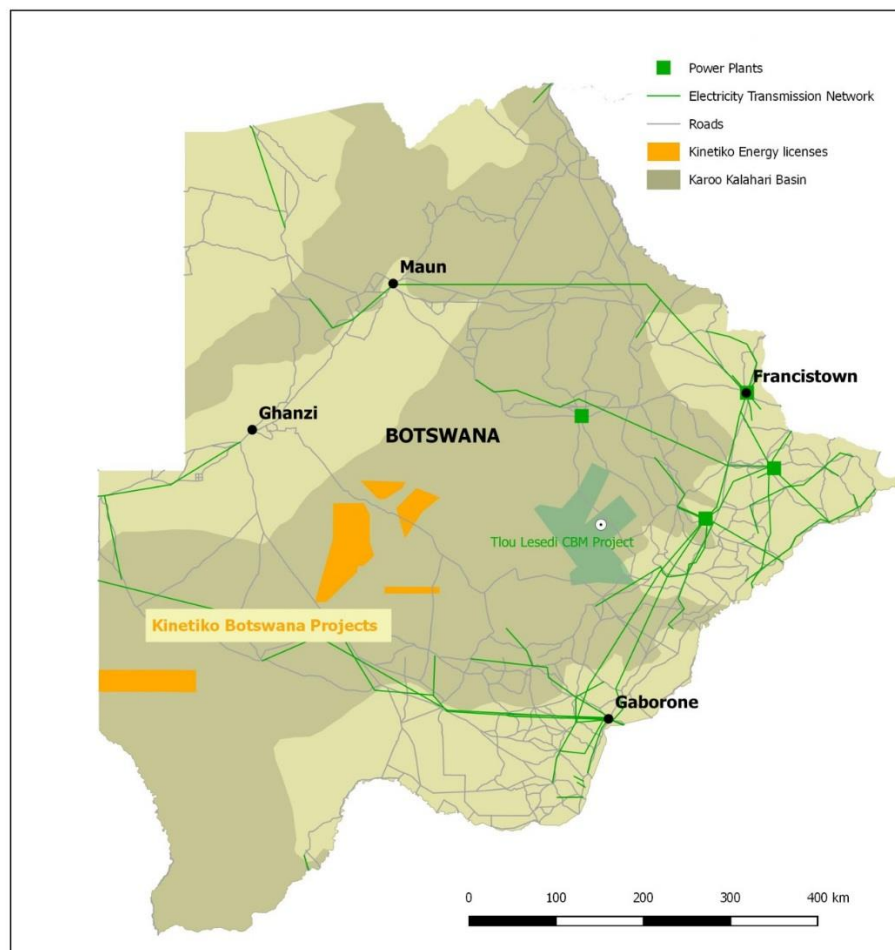


Figure 1 Location of the Kinetiko Energy Botswana tenure

TENURE

Area of Interest	Tenure reference	Nature of interest	Interest	Change in interest during quarter
Amersfoort Project South Africa	30/5/2/3/38ER	Direct participating interest	49% *	No change
	30/5/2/3/56ER	Direct participating interest	49% *	No change
Kalahari Basin Project Botswana	29/2015	Direct participating interest	100%	No Change
	299/2014	Direct participating interest	100%	No Change
	300/2014	Direct participating interest	100%	No Change
	301/2014	Direct participating interest	100%	No Change
	444/2014	Direct participating interest	100%	No Change
	445/2014	Direct participating interest	100%	No Change
	446/2014	Direct participating interest	100%	No Change
	447/2014	Direct participating interest	100%	No Change
	448/2014	Direct participating interest	100%	No Change
	449/2014	Direct participating interest	100%	No Change
	450/2014	Direct participating interest	100%	No Change
	450/2014	Direct participating interest	100%	No Change

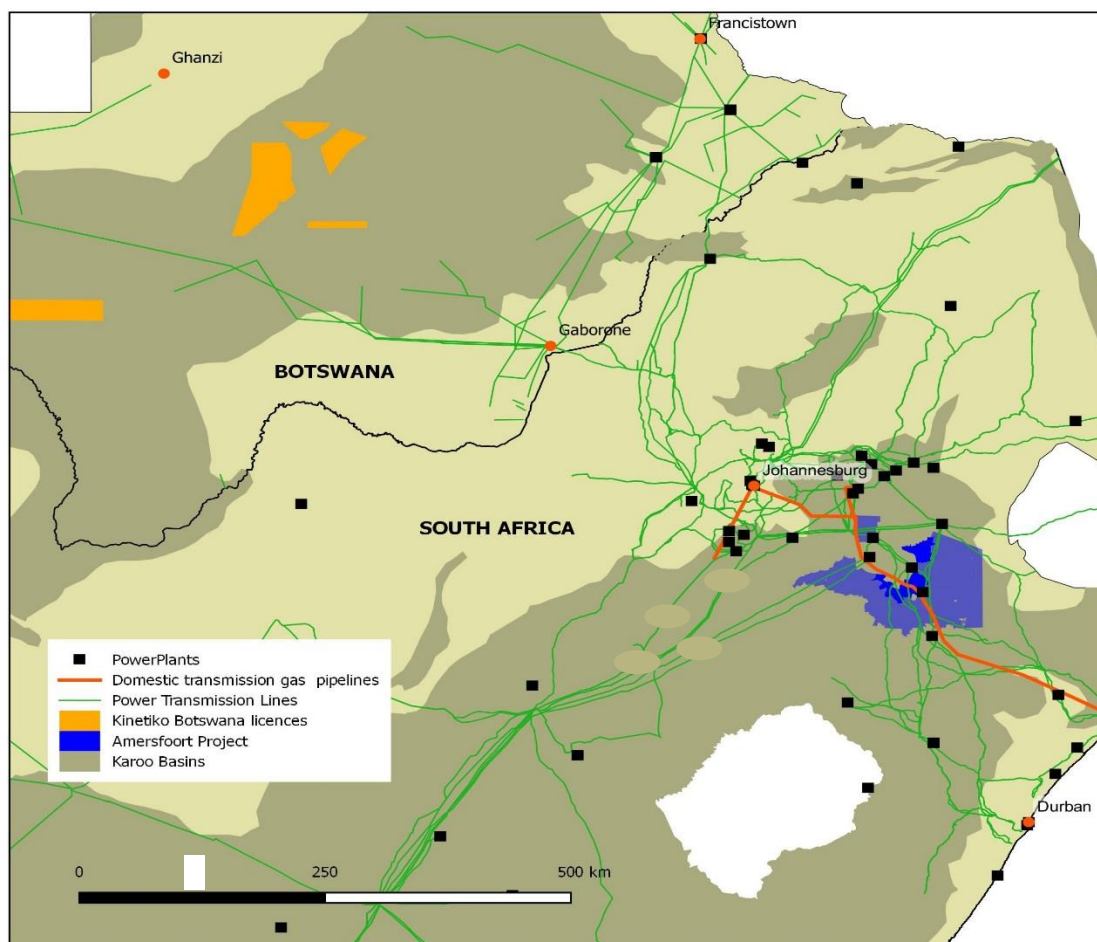
For more information visit: www.kinetikoenergy.com.au

Or contact Geoff Michael or James Searle, Joint Managing Directors, Kinetiko Energy Limited
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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.

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, Kinetiko Energy Limited on 08 6315 3500