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**ASX: KKO**

**31 July 2015**

## **JUNE 2015 QUARTERLY OPERATIONS REPORT**

Perth-based energy exploration company Kinetiko Energy 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 July quarter.

### **Highlights**

- **As announced to the Australian Stock Exchange on the 21<sup>st</sup> 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.**
- **Subsequently an expression of interest to fund the Amersfoort Project has been received from the Industrial Development Corporation of South Africa.**
- **Potential for first revenues to be achieved within 6 months.**
- **Potential for first reserves to be booked in 2016.**
- **Negotiations are progressing with potential gas off takers.**

### **CORPORATE**

#### **Funding Expression of Interest**

By letter to Afro Energy dated 07 July 2015 the Industrial Development Corporation (“IDC”) has presented a non binding expression of interest to fund the development of the Amersfoort project through either debt and or equity. This expression of interest is subject to a number of conditions being satisfied including due diligence.

The IDC was established in 1940, and is a national development finance institution set up to promote economic growth and industrial development. The IDC is owned by the South African government and reports to the Minister of Economic Development. The IDC has a vision and a mission to contribute to the creation of balanced, sustainable economic growth in South Africa and on the rest of the continent.

Afro Energy remains in negotiations with several other interested funding parties with respect to funding the development of the Amersfoort project.

### **Agreed Work Programme**

The stakeholders of Afro Energy have agreed to the following work program in order to develop the Amersfoort project:

- An 8-spot cluster of wells in close proximity to KA-03PT within ER56 tenement;
- An additional permeability test well to supplement the above 8 cluster of spot test wells has to be applied for;
- Two zone isolation wells in close proximity to KA-02C within ER56 tenement;
- An 8-spot cluster of permeability test wells in close proximity to KA-02C within ER56 tenement predicated on the results of the zone isolation wells; and
- A gas terminal consisting of a gas treatment plant, CNG loading facilities and metering station.

The potential outcome of completing the work programme over the next six months would enable gas sales from the Amersfoort project in terms of the approved and issued bulk sampling permit. The work programme covers only a small percentage (<5%) of the total prospective geology over which KKO and Badimo have rights and successful achievements as outlined above could be recognised as first major steps to significant further field development.

## **OPERATIONS**

### **Amersfoort Project, South Africa**

As indicated in the April 21<sup>st</sup> announcement to the ASX 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.

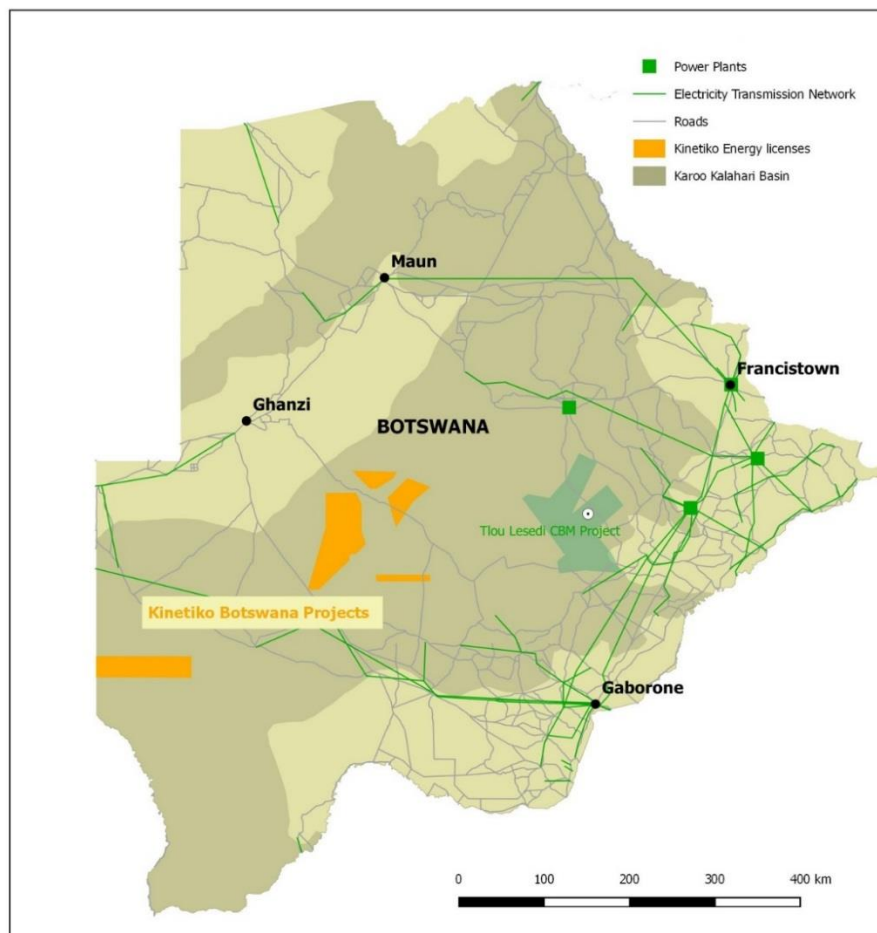
### **Kalahari Basin Project, Botswana (KKO 100% and Operator)**

Kinetiko Energy Ltd holds 12 prospecting gas licenses covering a total of 7,093km<sup>2</sup> 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) Selema 1P and

Mopani 2P wells. On the 6<sup>th</sup> of January 2015 Tlou reported a peak gas flow rate of 395,300scf/d from the Selemo Pilot well. Tlou has subsequently continued to report on further drilling progress at Lesedi.

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

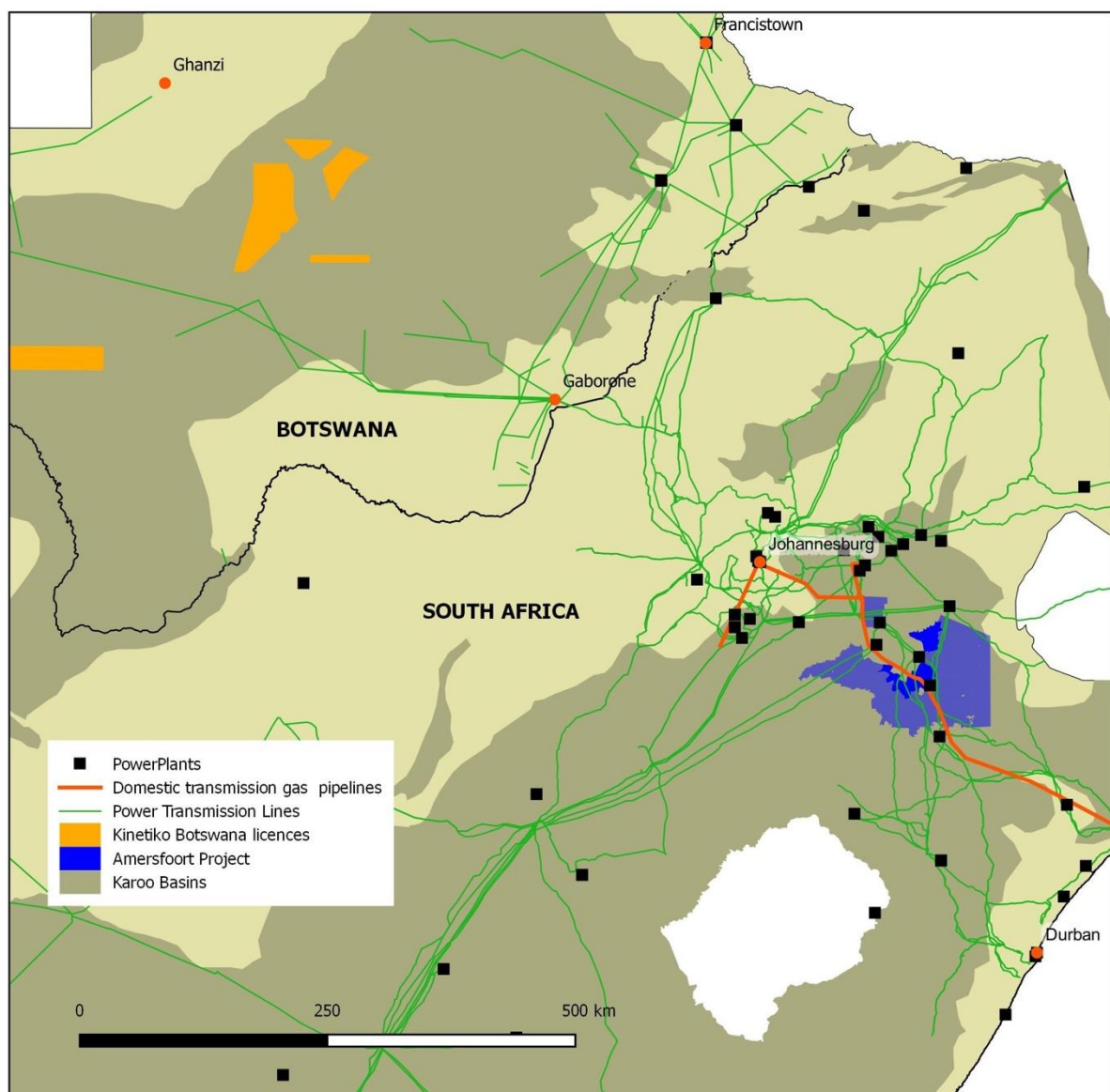
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*Except where indicated, technical comments above have been compiled by James Searle BSc (hons), PhD, a Member of the Australian Institute of Mining and Metallurgy, and a Director of Kinetiko Energy Ltd with over 30 years experience in metallic and 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](http://www.kinetikoenergy.com.au) or contact, Kinetiko Energy Limited on 08 6315 3500