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SEPTEMBER 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 September quarter. Activities at the Amersfoort Project are carried out through Afro Energy Pty Ltd, owned by Kinetiko Energy Ltd (49%) and its South African partner Badimo Gas Pty Ltd (51%)

Highlights

- **An expression of interest to fund the Amersfoort Project has been received from the Industrial Development Corporation of South Africa.**
- **Memorandum of Co-operation with potential gas off-taker Gigajoule International Pty Ltd.**
- **The renewals of the Amersfoort Exploration Rights ER56 and ER38 have been granted.**
- **The South African regulatory authority has granted approval to develop a further 8-wells in close proximity to KA-03PT in the Amersfoort Project.**
- **The Amersfoort Project has received approval from the Department of Mineral Resources for a production and marketing trial (“bulk sampling”).**
- **Potential now for first revenues to be achieved within the first half of 2016.**
- **Potential also for first reserves to be booked in 2016.**
- **Completion of \$0.6m capital raising**



CORPORATE

Funding Expression of Interest

By letter to Afro Energy dated 7 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 which is currently being undertaken.

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.

Bulk Sampling Production Permit

The Department of Mineral Resources has granted the parties permission to remove up to 500 million standard cubic feet of gas per annum for a 2 year period (announced to the ASX on the 4th of August). This permit is the first of its kind to be issued with respect to the removal and disposal of natural gas in the Republic of South Africa.

If that volume of gas was produced from exploration activities in each of the 2 years and sold at prevailing domestic gas prices assumed conservatively to be US\$8/GJ, an amount of approximately US\$8m in revenue could be generated.

Off take MOC

Afro Energy has executed a memorandum of cooperation (“MOC”) with Gigajoule International (Pty) Ltd (“Gigajoule”) to investigate and pursue an opportunity for the supply of methane rich gas by Afro Energy from within certain areas on the ER56 tenement at Amersfoort (announced to the ASX on the 19th of August). The parties intend to undertake a pre-feasibility study under the direction of a working group that shall be established with a representative from both Gigajoule and Afro Energy. Provided the outcome of the pre-feasibility study is positive and recommendations to proceed with the project are approved by the respective boards of both parties, then both Afro Energy and Gigajoule intend to conclude a gas sales agreement.

The Agreement is for a period of 3 years, and may be extended by mutual agreement. During the term of the MOC and for a period of 1 year after termination neither of the parties shall pursue opportunities that are similar to the project or would prejudice either party’s confidential information.

OPERATIONS

Amersfoort Project, South Africa (KKO 49%)

Approval has been received from the regulatory authorities for the development of a 10-well pilot gas field in Area 1 of ER56 (Figures 1 and 2). It is further planned to secure the approval of an additional 8 appraisal/production wells in conjunction with two zone isolation wells in Area 4 of ER56 in close proximity to KA-02C (Figure 1).

Completing these work programmes over a six-month period commencing the first quarter of 2016 would enable gas sales from the Amersfoort project in terms of the granted bulk sampling permit. The work programme covers a small percentage of the total prospective geology over which the rights are held. The successful completion of the work programme is a major steps towards further field development.

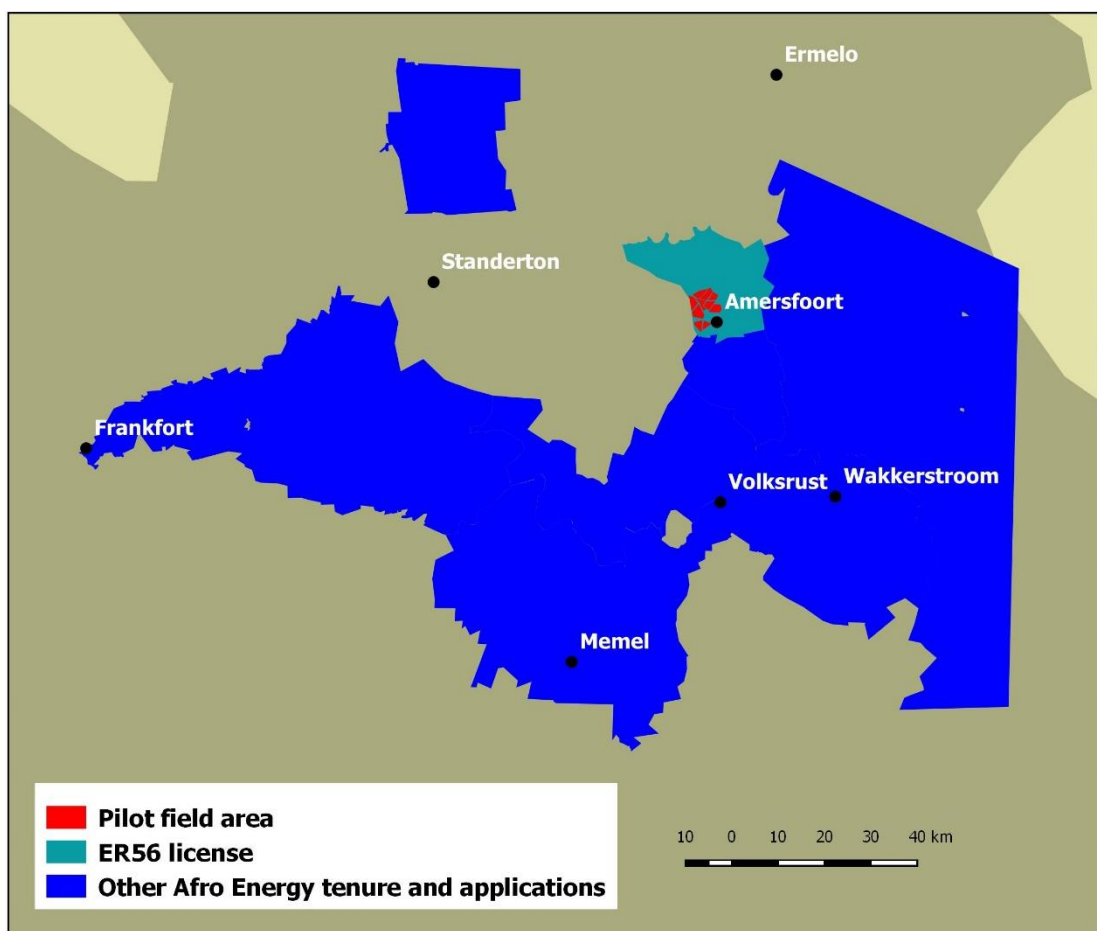


Figure 1 Location of the ER56 pilot field areas.

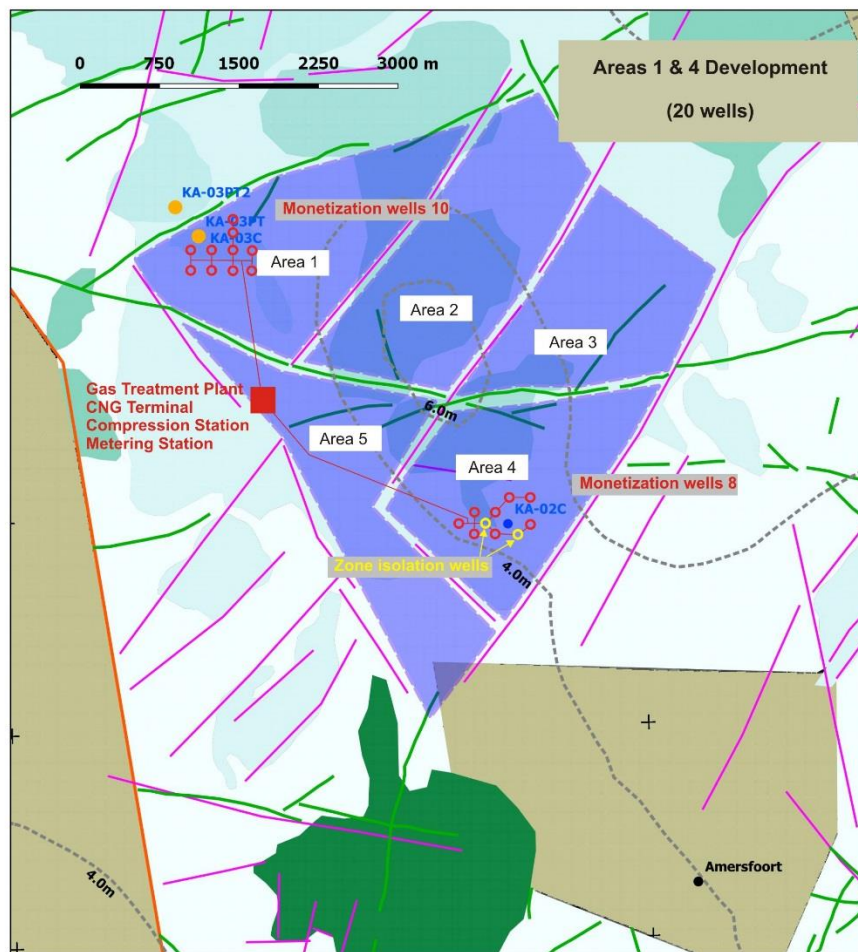


Figure 2 Proposed work program for Areas 1 and 4 ER56. The actual well locations are shown schematically.

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 3). 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.

During the September Quarter research into the generation into a petroleum basin model for the Kalahari Basin continued. This work will guide the planned geophysical surveys and initial exploration drilling programs in 2016.

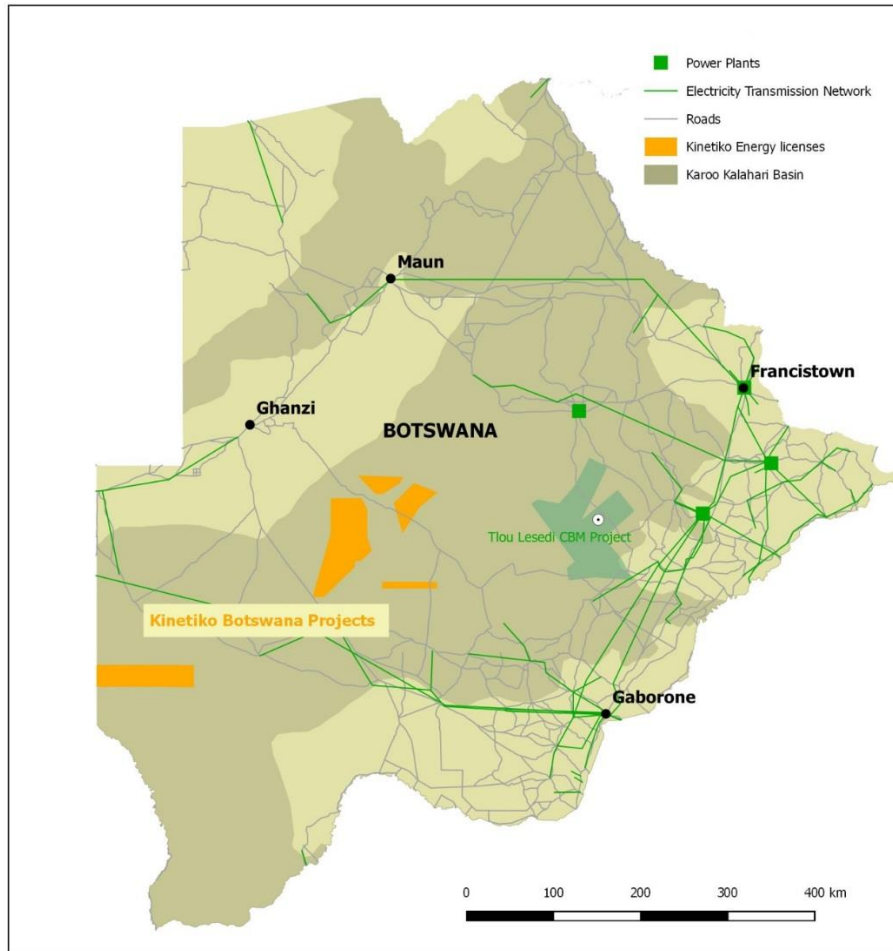


Figure 3 Location of the Kinetiko Energy Botswana tenure

TENURE

Area of Interest	Tenure reference	Nature of interest	Interest	Change in interest during quarter
Amersfoort Project	30/5/2/3/38ER	Direct participating interest	49% *	No change
South Africa	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

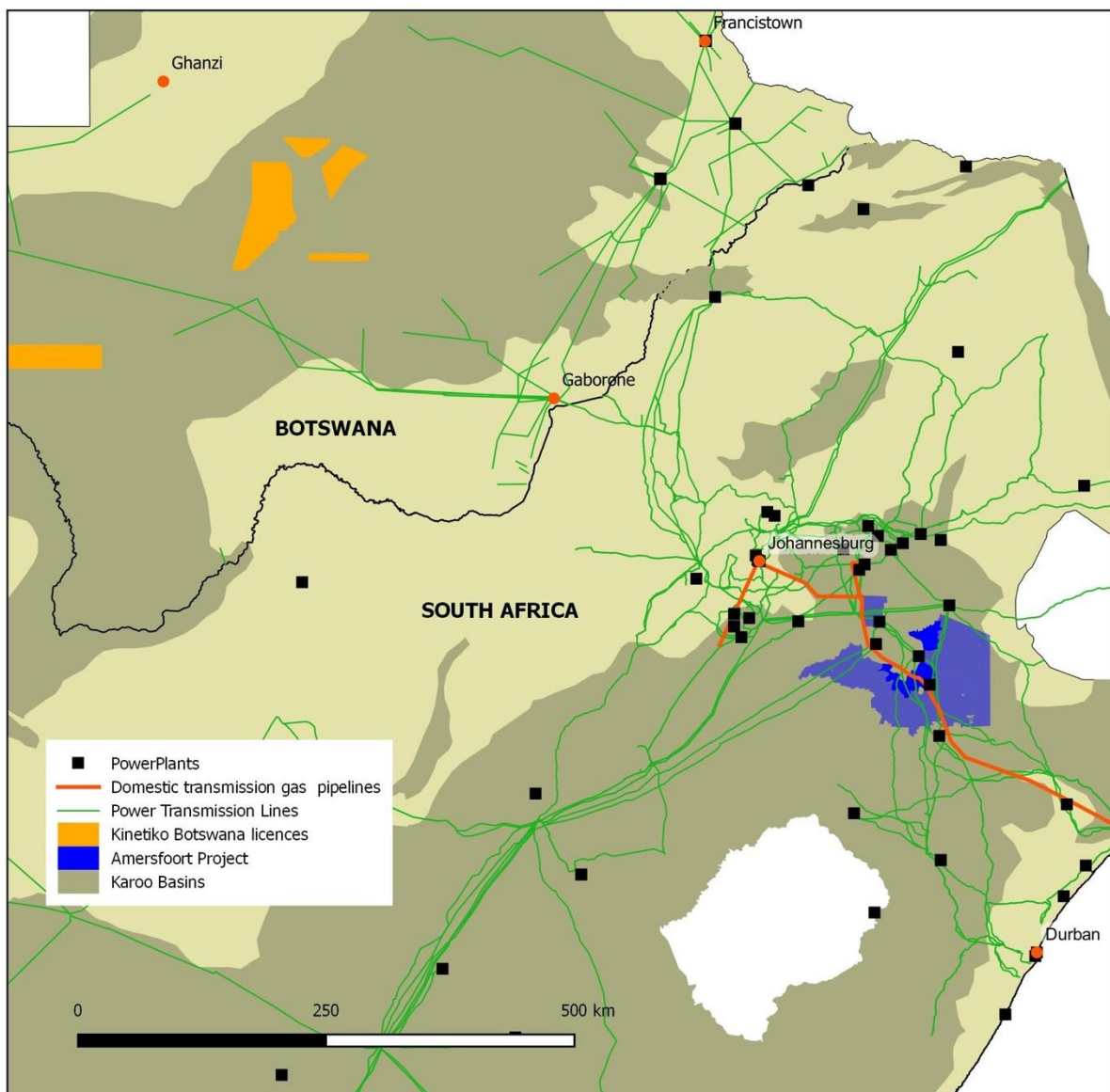
For more information visit: www.kinetikoenergy.com.au

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