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ASX: KKO

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SEPTEMBER 2016 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 in South Africa and on its Kalahari Basin Gas Project in Botswana, for the quarter ending July 2016. Activities at the Amersfoort Project are carried out through Afro Energy (Pty) Ltd, owned by Kinetiko Energy Ltd (49%) and its South African shareholder Badimo Gas Ltd (51%).

Afro Energy Exploration Rights & Applications

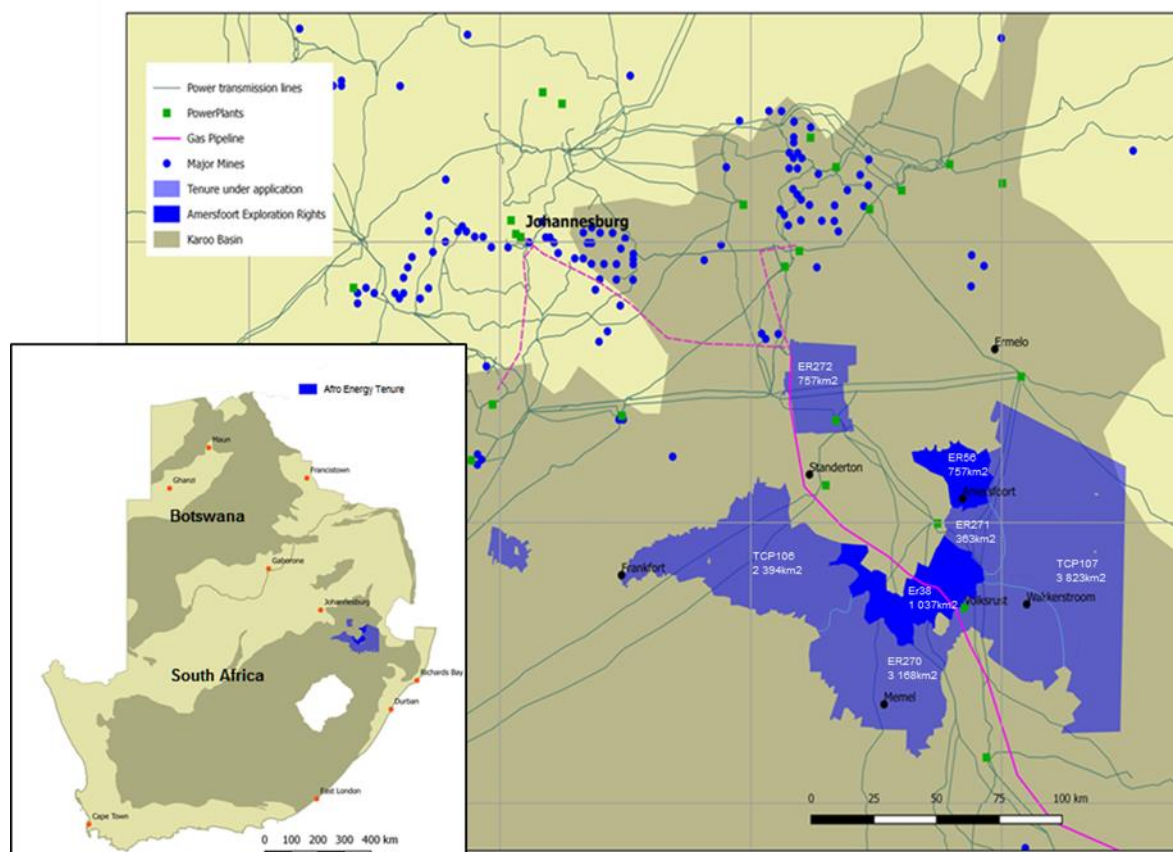


Figure 1

HIGHLIGHTS

- Kinetiko Energy Ltd is continuing to engage with the South African Industrial Development Corporation (IDC) to resolve issues, unrelated to the technical viability of the project, that may enable IDC funding and participation in the Amersfoort Project in Exploration Right ER56.
- Afro Energy (Pty) Ltd planning next phase of exploration on Volksrust Exploration Right ER38.
- Kinetiko Energy Ltd was re-admitted to official quotation (ASX announcement 17th August).
- The Company raised \$0.85m for working capital by placement of shares (ASX announcement 15th September).

OPERATIONS (Amersfoort Project South Africa - KKO 49%)

12/3/38ER

Afro Energy is currently reviewing the work program needed to be undertaken in 38ER in order to achieve a similar appraisal/production program of wells as that of 12/3/56ER. Kinetiko is promoting the acquisition of aeromagnetic surveys similar to those carried out on ER56 to enable optimal appraisal well location as an initial step.

12/3/56ER

The next phase of the project will include both a monetization drilling and zone isolation drilling program conducted concurrently and in a way that one activity would not compromise the other. This will be achieved by locating the respective activities in separate but proximal, aeromagnetically defined compartments.

- Monetization drilling of 9 additional wells will be located within the aeromagnetically defined compartment that already hosts well KA-03PTR (Area 1) (Figure 2);
- The zone isolation (DST) drilling is planned to be conducted next to the previously drilled and plugged KA-02C core well (Area 4) (Figure 2). Two DST wells will be drilled and tested where after 8 appraisal/production wells, predicated on the results of the 2 DST wells, will be drilled; and
- The work described above comprises 19 wells which consists of two zone isolation wells (DST wells) and seventeen appraisal/development wells within the ER56 tenement.

PROJECT FUNDING

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

- Afro Energy elicited positive response from funding institutions culminating in an Expression of Interest from the IDC to fund and participate in the Project;
- To date the IDC has completed a successful 8-month technical, financial, commercial and legal due diligence on the Project and reached agreement with Afro Energy to

provide funding for a pilot production development. This agreement was subject to, *inter alia*, IDC Executive Policy Committee approval which met on 2 June 2016;

- IDC advised of its Executive Policy Committee decision not to fund the development of the Project at this time due to an issue unrelated to KKO or the Project,
- However KKO and its South African partner remain confident, despite the delays suffered, that the commercial viability of the Project remains robust and have engaged further with the IDC in efforts to resolve issues that could see participation by the IDC in the Amersfoort Project.

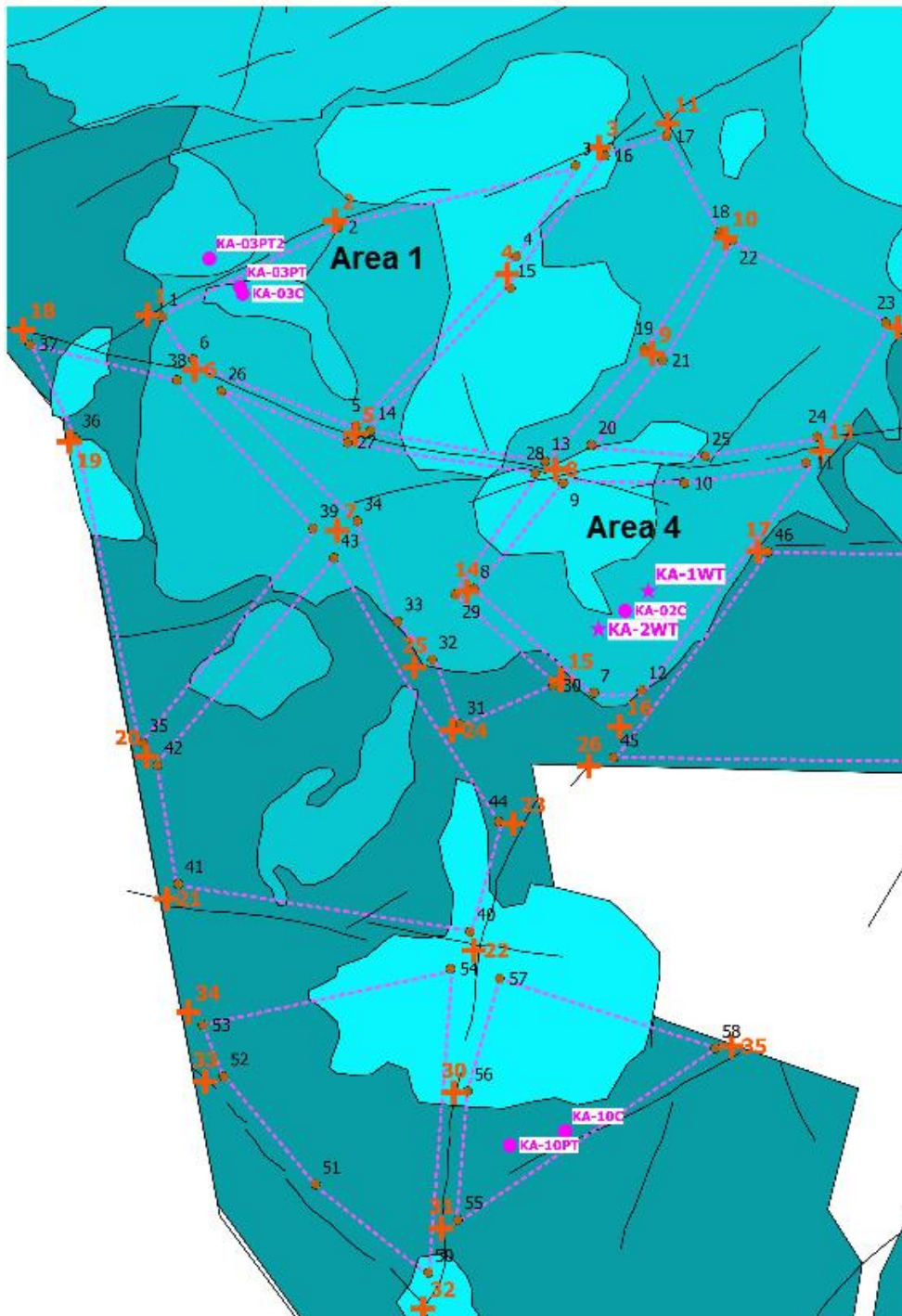


Figure 2 Proposed work program for Areas 1 and 4 - ER56.

OPERATIONS (Kalahari Basin Project Botswana - KKO 100% and Operator)

Kinetiko Energy Ltd holds 12 prospecting gas licenses covering a total of 9 927km² 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.

The Company is currently reviewing its Botswana Project objectives..

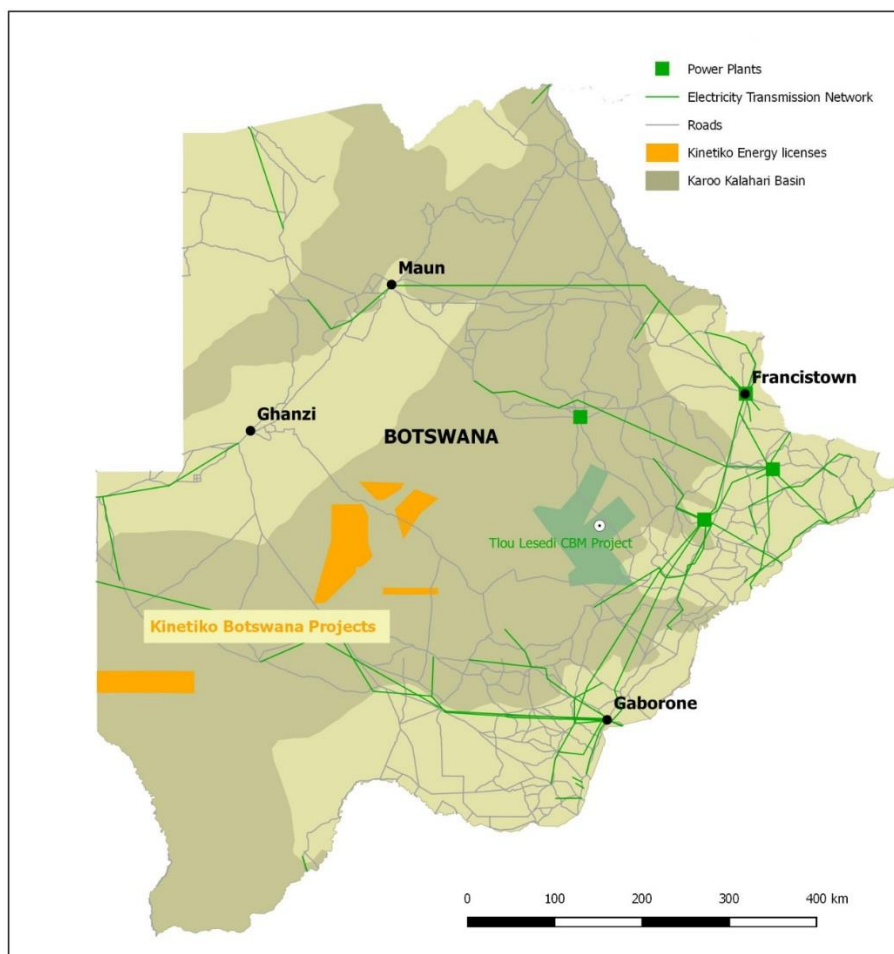


Figure 3 Location of the Kinetiko Energy Botswana tenure

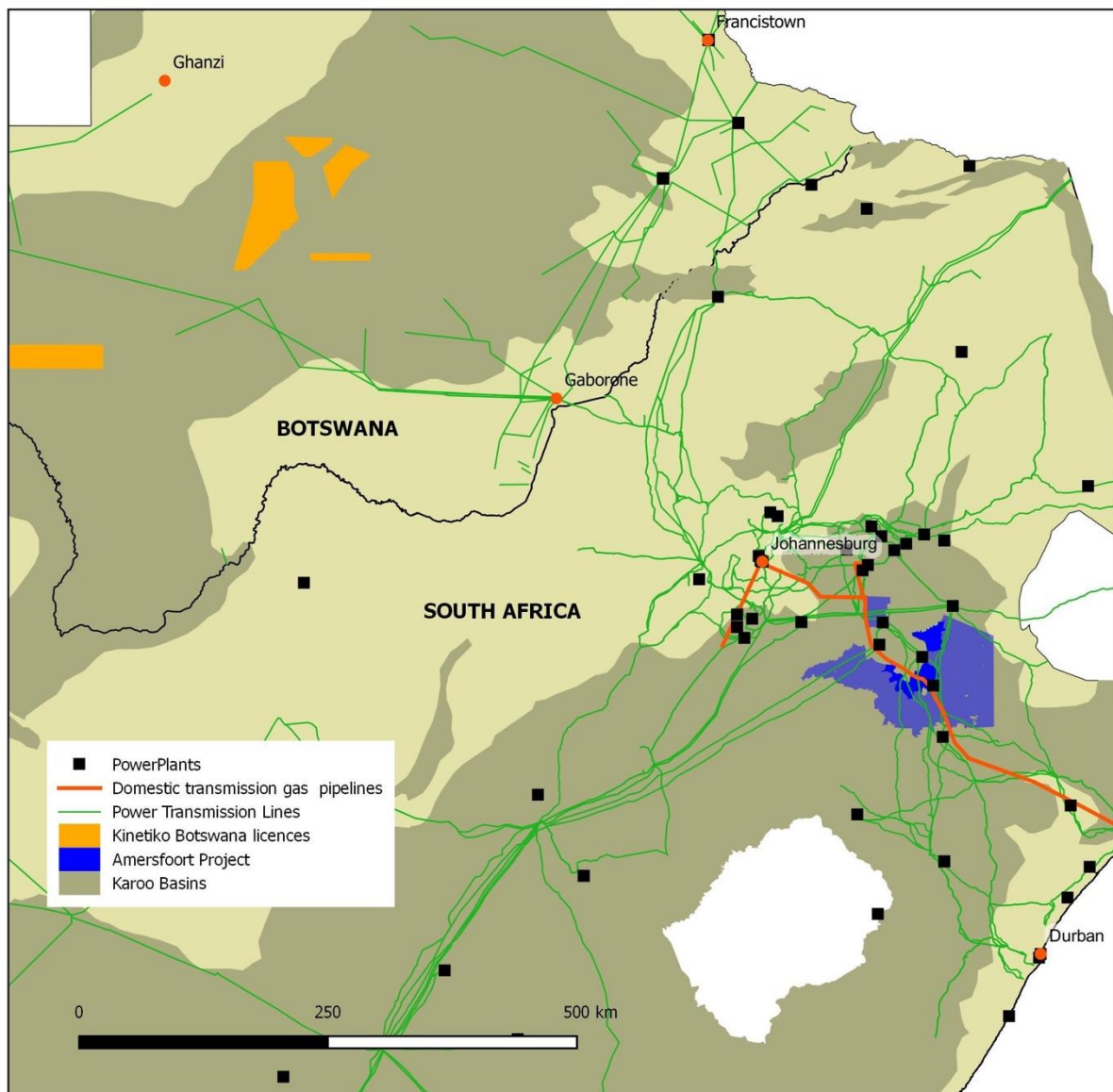
TENURE

Area of Interest	Tenure reference	Nature of interest	Interest	Change in interest during quarter
Amersfoort Project 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

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 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.