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ASX: KKO

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March 2016 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 2016 March quarter. Activities at the Amersfoort Project are carried out through Afro Energy Ltd, owned by Kinetiko Energy Ltd (49%) and its South African partner Badimo Gas Ltd (51%)

Highlights

- **Following an expression of interest to fund the Amersfoort Project received from the Industrial Development Corporation (“IDC”) of South Africa and extended negotiations and development of an investment term sheet the parties are awaiting IDC board assessment of the finalised proposal. While this is taking longer than expected, Kinetiko remains optimistic of a positive outcome.**
- **A substantive gas resource upgrade has been received for the Amersfoort Project.**
- **P₅₀ (2C) Contingent Resources increased to 655.7bcf of gas on Amersfoort project’s 56ER**
- **Represents a 28% increase in GIP P₅₀ total resource estimate on 56ER and a 55% increase in the GIP P₅₀ of the gas contained in sandstones**
- **Resource estimate Upgrade covers only a minor percentage (32%) of the total prospective geology of the Amersfoort Project exploration licences (56ER and 38ER)**

OPERATIONS

Amersfoort Project, South Africa (KKO 49%)

Independent oil and gas engineers Gustavson and Associates LLC have provided an updated gas resource estimate for the 56 Exploration Rights (“56ER”) license in the Amersfoort Project Area in South Africa. This assessment by Gustavson Associates is an update on a 2012 Gustavson report which addressed both 56ER and 38ER licenses. The resource update was reported to the Australian Stock Exchange on the 17th of February 2016*.

Analysis conducted for this study resulted in a P₅₀ (2C) estimate of Gas Initially In Place (GIIP) for the 56ER License Area of 30.7 billion cubic meters (1,083.2 BCFG) and a P₅₀ (2C) estimate of total Contingent Resources of 18.6 billion cubic meters (655.7 BCFG) on 56ER.

A summary of the increased resource estimate on 56ER is as follows*:

Resources	Resource Type	Billions of Cubic Feet			Billions of Cubic Metres		
		1C	2C	3C	1C	2C	3C
Gas In Place	CBM Adsorbed Gas	298.9	671.9	1,249.0	8.5	19.0	35.4
	CBM Free Gas	11.0	26.2	50.5	0.3	0.8	1.4
	Gas In Sandstone	194.7	384.7	654.7	5.5	10.9	18.5
	Arithmetic Total	504.5	1,083.2	1,954.3	14.3	30.7	55.3
Total Contingent Resources	CBM Adsorbed Gas	190.6	432.7	814.0	5.4	12.3	23.1
	CBM Free Gas	8.7	21.3	40.7	0.2	0.6	1.2
	Gas In Sandstone	99.8	201.8	361.9	2.8	5.7	10.2
	Arithmetic Total	299.2	655.7	1,216.6	8.5	18.6	34.5

The coals and sandstones in the 56ER License Area are known accumulations that have been drilled, logged, and some have been flow tested with positive indications of gas in sandstone reservoirs and CBM. The reasons for the increase in estimated resource according to Gustavson’s renewed assessment on 56ER are:

- 1) Higher confidence in the producibility of the sandstone reservoirs has increased the fraction of the area included in the calculations; and
- 2) The coals in 56ER, which consists of 56,377 hectares (139,310 acres), are thicker on average than those in 38ER.

The increase in the 56ER gas resource estimate compared to the 2012 assessment can be summarised as follows:

Summary of Resources per Square Kilometre

Sandstone Resource	BCF/km ²	% increase from 2012 estimate
GIP P10	1.161	28
GIP P50	0.682	55
GIP P90	0.345	89

Total Resource	BCF/km ²	% increase from 2012 estimate
GIP P10	3.466	36
GIP P50	1.921	28
GIP P90	0.895	14

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 December 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.

CORPORATE

Following an expression of interest to fund the Amersfoort Project received from the Industrial Development Corporation (“IDC”) of South Africa and extended negotiations and development of an investment term sheet the parties are awaiting IDC board assessment of the finalised proposal. While this is taking longer than expected, Kinetiko remains optimistic of a positive outcome.

A successful outcome to the IDC negotiations and proposal would allow Afro Energy Ltd to proceed with an initial development proposal at Amersfoort where regulatory approval has been received to produce and sell 500 million standard cubic feet of gas per annum for two years. Afro has a memorandum of understanding with Gigajoule International Ltd to investigate and pursue an opportunity to take supply of the methane rich Amersfoort gas, beginning with the production from the initial development.

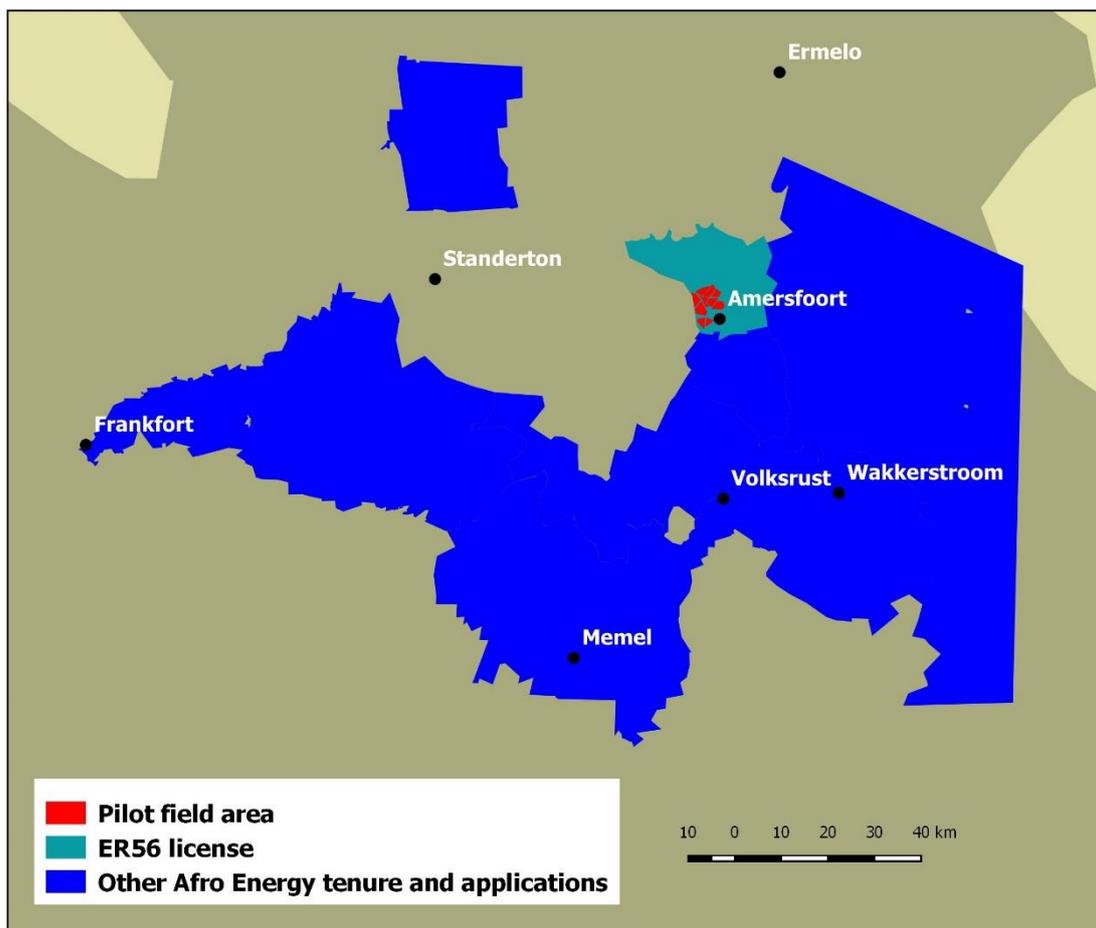


Figure 1 Location of the ER56 pilot field areas.

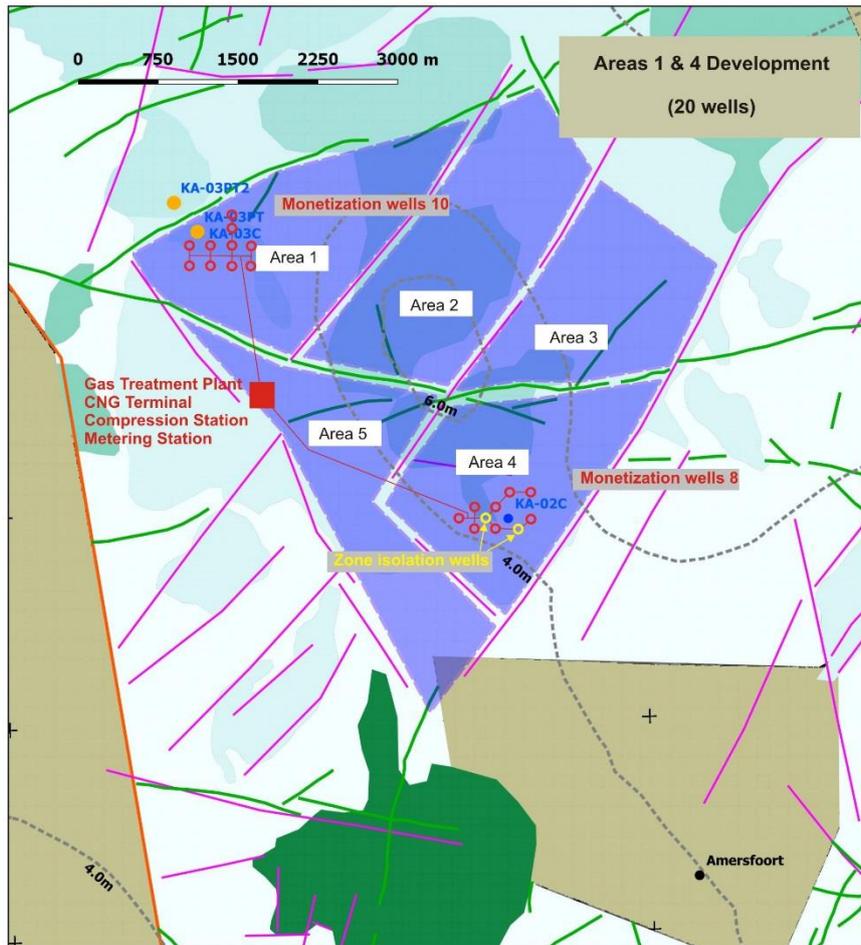


Figure 2 Proposed work program for Areas 1 and 4 ER56. The actual well locations are shown schematically.

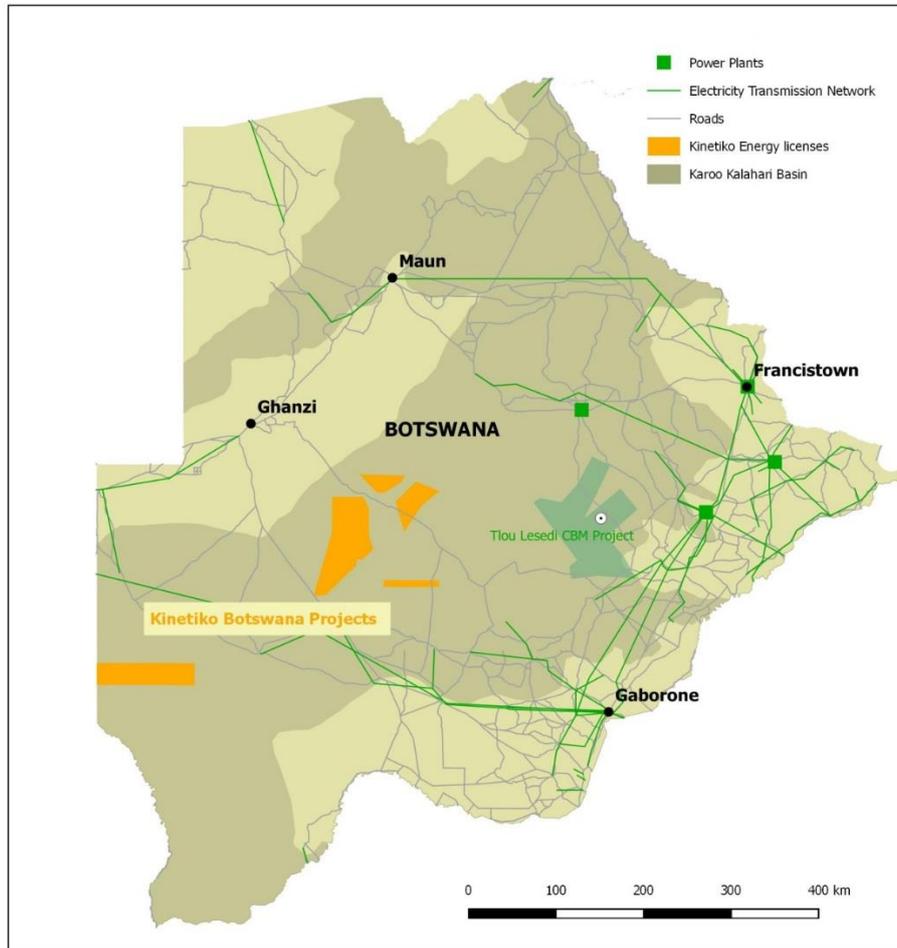


Figure 3 Location of the Kinetiko Energy Botswana tenure

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	

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

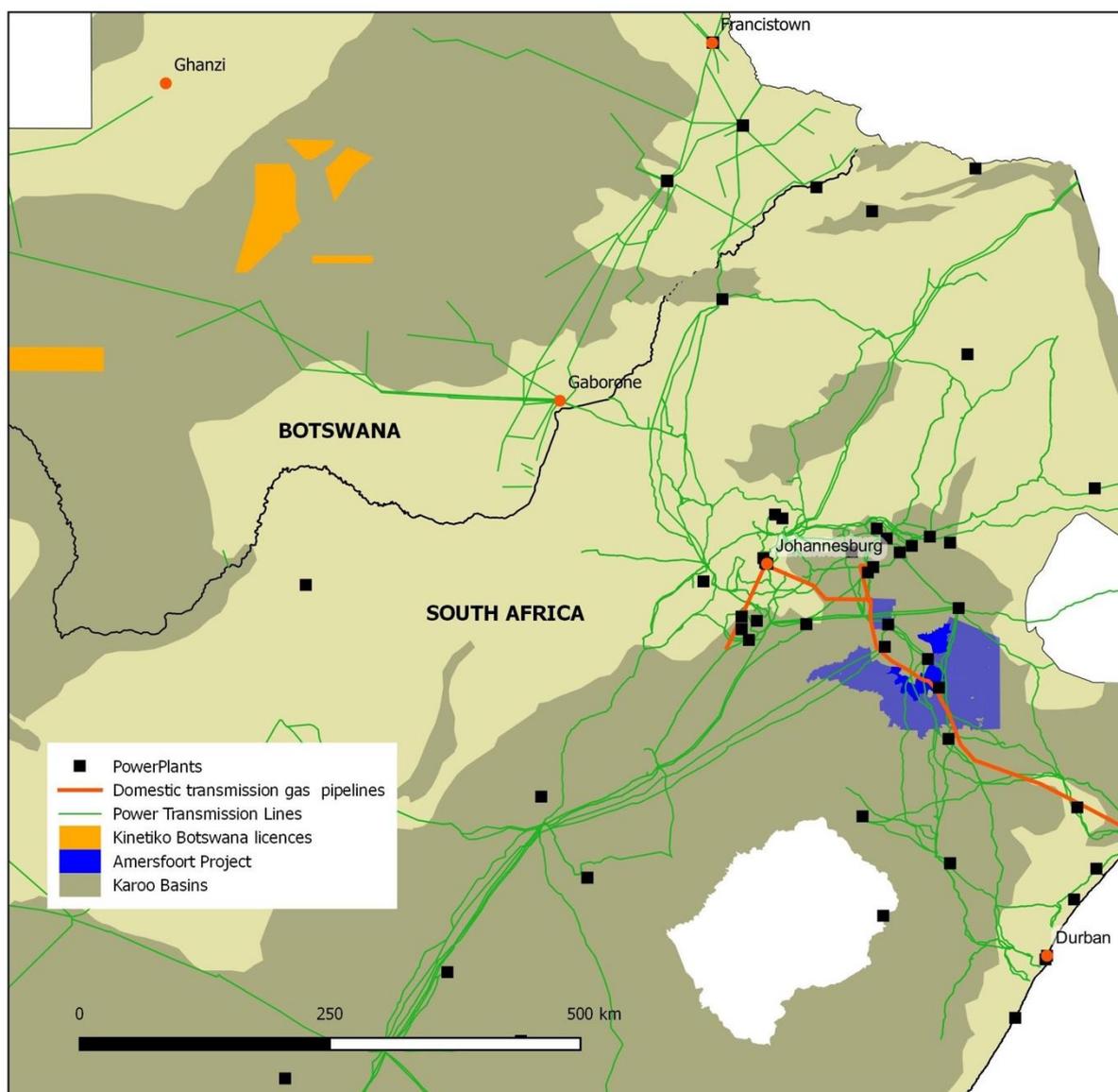
Or contact Geoff Michael or James Searle, Joint Managing Directors, Kinetiko Energy Limited
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* On the 17/2/2016 Kinetiko reported in full to the ASX the Gustavson and Associates LLC the new resource for ER56 at the Amersfoort Project. This resource remain current.

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