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ASX: KKO

30th January 2015

DECEMBER 2014 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, for the December 2014 quarter.

Quarter Highlights

- **JV negotiations for the Amersfoort Project continue with several major South African BEE certified energy companies.**
- **Kinetiko has been granted 12 prospecting licences covering 7,094km² for coal bed methane in the Karoo Kalahari Basin of Botswana.**
- **Additional working capital of \$550,000 raised by way of convertible notes.**

CORPORATE

Amersfoort Project Status (KKO 49%)

As previously announced Kinetiko has submitted to the Petroleum Agency of South Africa ("PASA") application for the transfer of the other 51% interest in the two Amersfoort Exploration Rights from its original JV partner Badimo Gas Ltd to Kinetiko Energy Ltd. PASA by correspondence has recently advised Kinetiko that they will proceed to process the applications and have now submitted the matter to the Minister for Mines for final determination.

Kinetiko continues to retain a 49% interest in the Amersfoort project and maintain its regulatory obligations. The search for a new strategic partner continues with the assistance of Standard Bank of South Africa acting as corporate adviser, whom has already made a number of introductions for this purpose.

Negotiations with Potential BEE JV Partners

Kinetiko is continuing advanced discussions with several major established and well-funded South African BEE certified (Black Economic Empowerment) companies interested in participating in the development and commercialisation of the Amersfoort Project.



Commercial and technical due diligence investigations have been ongoing and Kinetiko looks forward to advising the market in due course on the outcome of this process.

Corporate Fund Raising

Shortly before end of the December Quarter and as subsequently announced to the ASX on the 6th of January 2015 Kinetiko Energy raised \$550,000 in additional working capital by way of convertible notes.

OPERATIONS

Amersfoort Project, South Africa (KKO 49% and Operator)

As previously reported Kinetiko plans to conduct the next phase of technical appraisal of the Amersfoort Project with a two well extended interval flow testing program. The interval test wells are likely to be sited about 1km apart and 1km from the previously operated test well KA-03PT. The well designs will enable isochronous testing of individual gas charged zones in the sandstones sequences above and below the coal seams. The wells have also been designed to enable separate testing of the coal seams.

Data from the proposed testing program coupled with the enhanced geological modelling derived from the geophysical interpretation will form the basis for subsequent reserve modelling in the vicinity.

This interval testing program is a precursor to the development and operation of a 5 to 8 well pilot field development. The design of the interval test well will accommodate their potential redesignation as component production wells in the pilot field. Subject to the availability of equipment and regulatory approval, drilling of the interval test wells is being planned for 2015. Up to 5 months of testing will follow.

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

Kinetiko Energy Ltd is pleased to report that it has been granted 12 prospecting gas licenses covering a total of 7,093km². The licenses are located in the Karoo 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 (Figure 2).

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 2) 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 Energy holds a 100% equity in its Botswana licenses. The licences have an initial two year tenure, with opportunity for renewal. Kinetiko intends to follow an exploration and evaluation strategy that it has used at its Amersfoort gas discovery in neighboring South Africa.

White Rivers Project

In January 2014 Kinetiko Energy and White Rivers Exploration Ltd entered into a Memorandum of Understanding to form an exploration Joint Venture over 716km² of gas tenure held by White Rivers in the western part of the Main Karoo Basin of South Africa. Due to Kinetiko's commitments of resources to its existing project it has not been possible to finalise a JV and the MOU has now lapsed. It is hoped that the companies may be in a position to consider a JV at some later time.

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%	Granted
	299/2014	Direct participating interest	100%	Granted
	300/2014	Direct participating interest	100%	Granted
	301/2014	Direct participating interest	100%	Granted
	444/2014	Direct participating interest	100%	Granted
	445/2014	Direct participating interest	100%	Granted
	446/2014	Direct participating interest	100%	Granted
	447/2014	Direct participating interest	100%	Granted
	448/2014	Direct participating interest	100%	Granted
	449/2014	Direct participating interest	100%	Granted
	450/2014	Direct participating interest	100%	Granted
	450/2014	Direct participating interest	100%	Granted

*Note * Kinetiko Energy has applied to receive the transfer of the remaining 51% interest in these exploration rights. This is subject to compliance with South African regulatory requirements and approvals giving effect to such transfer. The Petroleum Agency of South Africa has submitted the application to the Minister of the Department of Mines for final determination.*

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

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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. South Africa has extensive gassy coal basins, extensive energy infrastructure and a growing gas demand, making it an attractive area for investment. Botswana has the Kalahari Basin with extensive coal deposits and is considered highly prospective for commercial gas discoveries. The Company has an extensive area of granted tenure and tenure applications in both South Africa and Botswana.

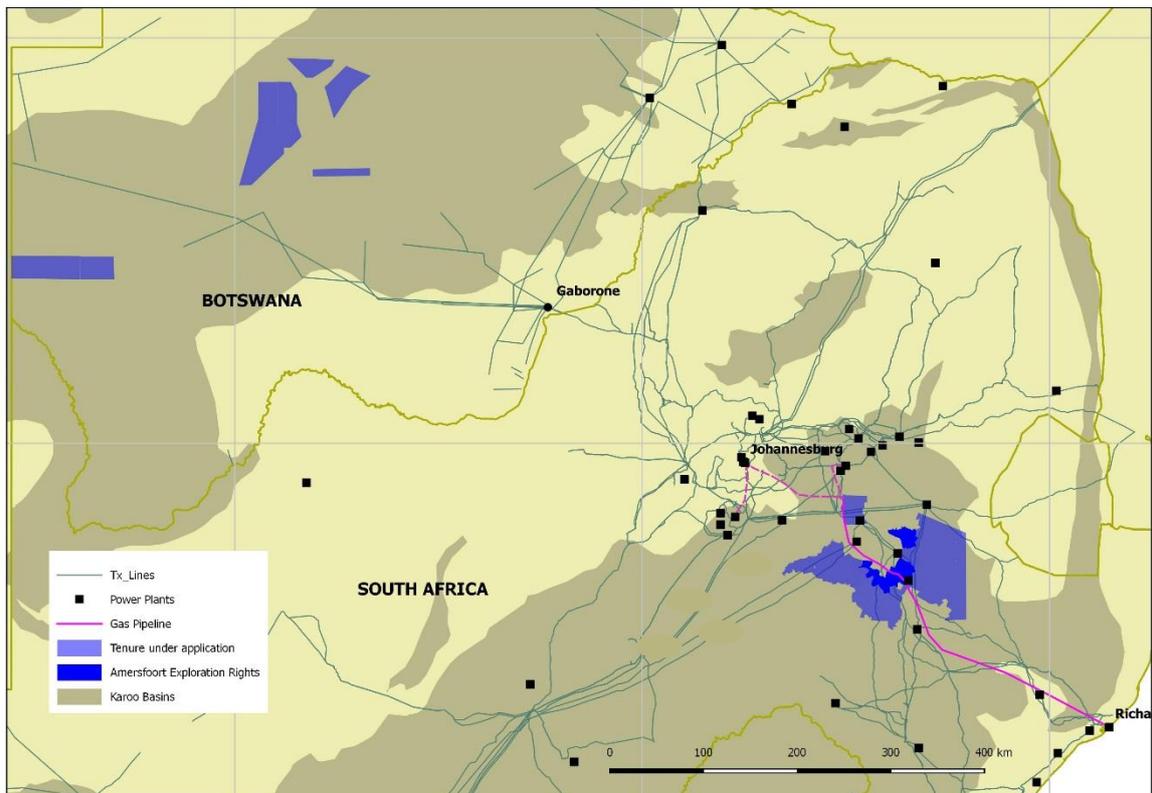


Figure 1 Kinetiko tenure and tenure applications in South Africa and Botswana.

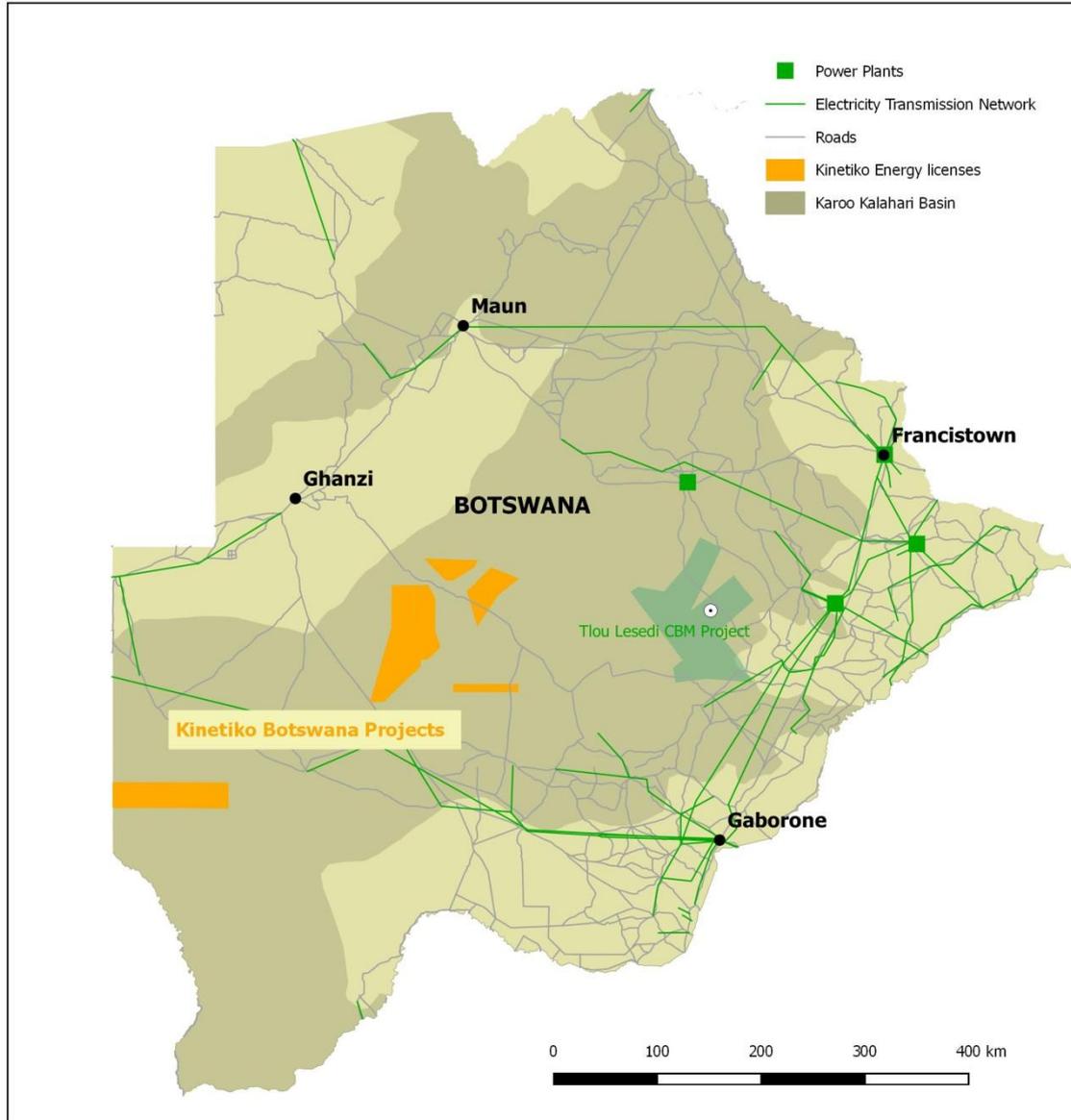


Figure 2 Location of the Kinetiko Energy Botswana tenure