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MARCH 2013 QUARTERLY OPERATIONS REPORT

Perth based Kinetiko Energy Ltd is an early mover, onshore gas explorer in the Southern African energy markets.

- **Pilot well testing and exploration coring on the Amersfoort Project (Kinetiko 49%, Badimo Gas 51%) continues to encounter significant gas indications in target coals and sandstones;**
- **The JV reported a Technical Discovery (21st March 2013) on pilot test well KA-03PT with encouraging stabilised flow rate of 332 Mscf/day at a flowing well head pressure of 25psi;**
 - **Engineering analysis continues on the first completed pilot test wells and subsequent test wells (refer table 1).**
 - **In light of pilot test well program progress, the Badimo/Kinetiko JV aim to book initial 3P/2P Reserves Q3 2013, in order to maximise commercial outcomes.**
- **Exploration on the southern licence (Volksrust, 38ER) of the Amersfoort Project continues with strong intersections of gas observed in each of the nine completed exploration core holes;**
- **The Amersfoort Project (Kinetiko 49%, Badimo Gas 51%) covers an area of 1,601 Km² and has Prospective Resources of 2.4tcf GIP;**
- **Fully funded to January 2014, with \$3.2m cash at end of March 2013 (and assuming Badimo's contribution of \$1.1m, which is being negotiated under JV agreements);**
- **Desktop exploration interpretation continues on Kinetiko's four granted TCPS over an area of 7,890Km², Kinetiko expects to apply for Exploration Rights over part of these areas in July**

AMERSFOORT PROJECT (Kinetiko 49% Operator, Badimo Gas 51%)

The Amersfoort Project (Figure 1) continues to deliver excellent exploration results and the first pilot test well program commenced.

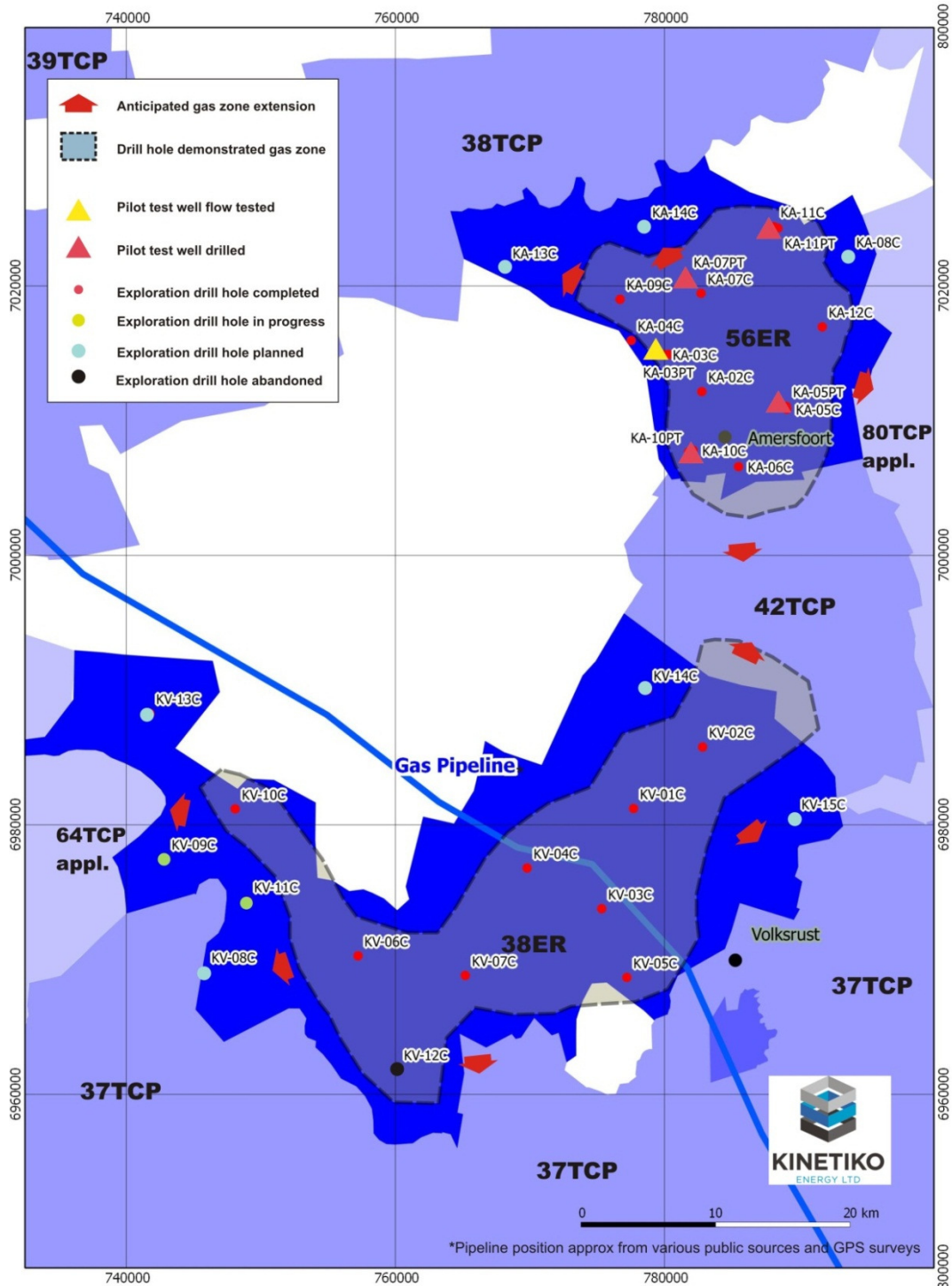


Figure 1- Amersfoort Project and potential gas zone extension in the area

Pilot Test Wells

Five pilot test wells have now been drilled on the northern Amersfoort (56ER) JV license (Figure 1) and testing is scheduled for completion early Q3 2013. These will be followed by five more test wells on the southern license (38ER) upon final JV and regulatory approval.

The pilot test wells are located in areas identified in exploration drilling to contain gassy coal measures and downhole geophysical log indications of conventional gas accumulations in the sandstones. See Figure 2 for an illustrative section.

The pilot test well program will determine gas flow rates and recoverability from which first gas reserves could be defined after testing is completed early Q3 2013 and upon commercial offtake discussion negotiations.

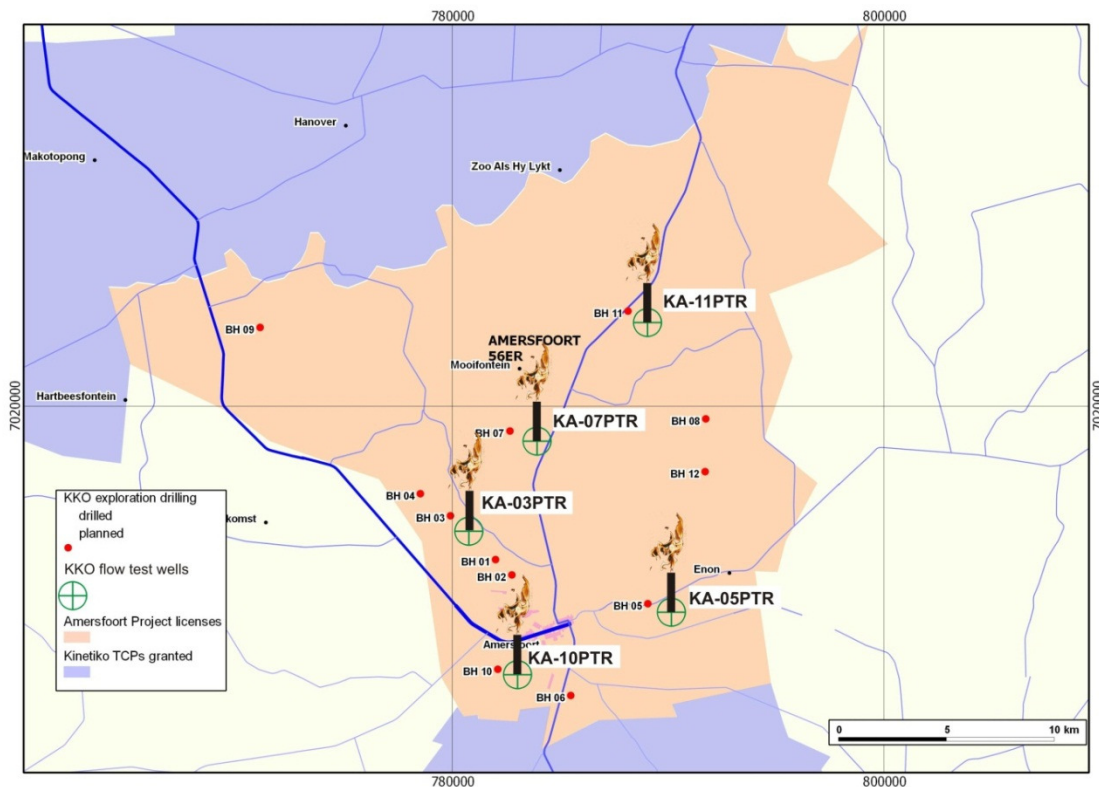


Figure 2- Location of Amersfoort Project pilot test wells

Date of Progress Report	16th April 2013				
Tenure	Amersfoort Project (northern licence ER56)				
Interest	Kinetiko Energy Ltd 49% (Operator), Badimo Gas Pty Ltd 51%				
Targets	Permian Middle Ecca Sandstones (conventional) and coal bed methane				
Permeability Wells/ Pilot Test	KA-03PT	KA-10PTR	KA-05PT	KA-11PT	KA-07PT
Commencement date					
Total Depth (m)	370	440	344	392	440 Est
Current Depth (m)	370	440	344	392	417
Status	Skid/pump. Both stages tested, to plug Core hole & test	Await fish tool expected to resume or redrill by end May	Re-cement base of casing- Skid/pump run- Ready for testing	Analysing first testing & logs, larger pump on order. Awaiting further remediation/testing	Skid/pump- testing full stage
Estimated flow test completion	March	June	June	July	June
Aim to certify test results	As announced	July	July	Aug	June

Table 1 – Pilot test well progress for the northern licence (56ER)

Kinetiko has procured equipment locally, adjacent countries and from established specialist CBM equipment suppliers in Australia and North America. This has enabled Kinetiko to accumulate high quality equipment sets for the testing program cost effectively. The program has been designed by experienced Australian and North American CBM and Gas consultants. Well head operations are being overseen by specialist US CBM drilling and testing contractors working with our existing South African drilling teams.



Photo 1. pilot test well KA-03PT

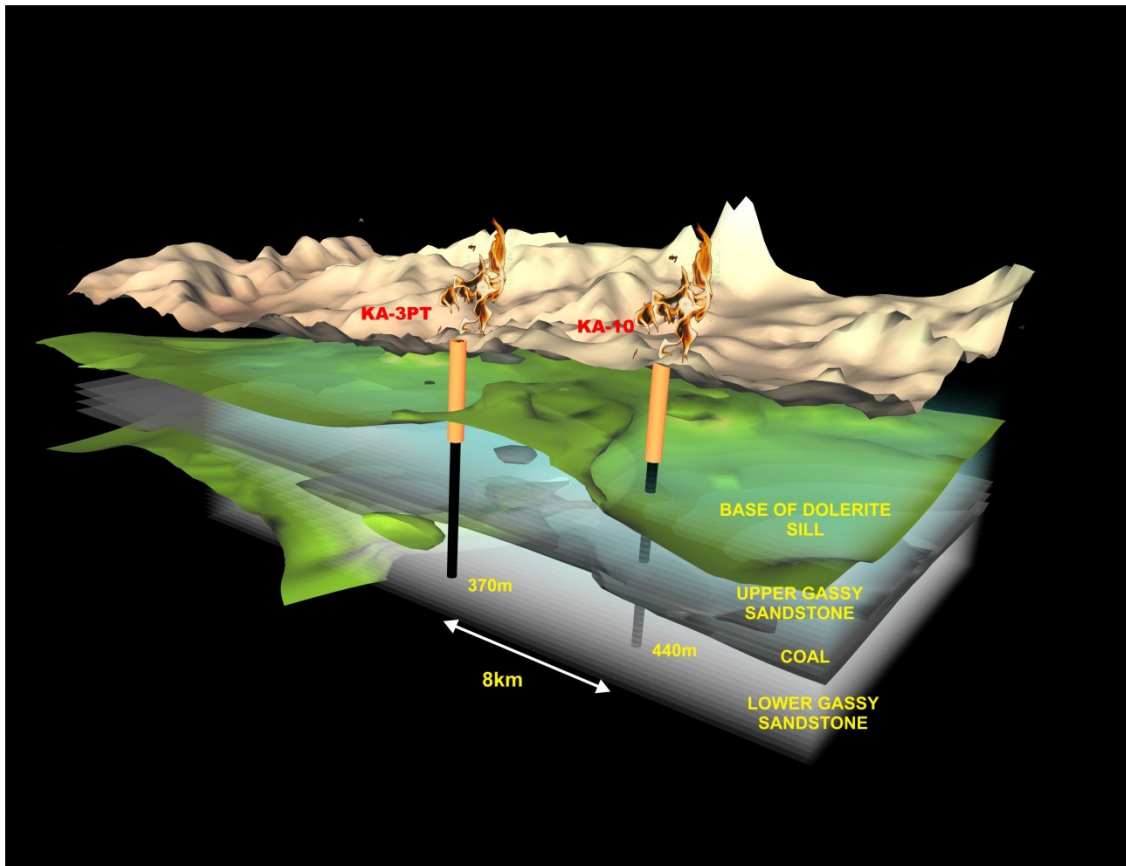


Figure 3: Schematic section of pilot testing wells KA-03PT & KA-10PT

Exploration Coring

To date a total of nineteen exploration holes have been drilled on the project. The purpose of this drilling is to determine the optimal location of pilot test wells and potential gas field extent. The JV have committed to another nine exploration holes by early Q4 2013

Ten exploration core holes have been completed on the northern licence (56ER) and nine exploration holes have been completed on the southern licence (38ER).

Exploration on the southern licence encountered strong indications of gas in coals and sandstones in each of the nine completed exploration core holes.

- Each core hole yielded gassy core samples (carbonaceous mudstones and coals);
- Wireline logs from the southern licence are consistent with the results from the northern license in indicating widespread gas accumulations in the sandstone sequences above and in some cases below the coal beds;

- The southern licence core holes have an average total depth of 610 metres (compared to ~410m on the northern licence), and should have a greater pressure regime and thus propensity for higher gas volumes.

This news enhances the prospects that a potential gas field could be extensive across the entire Amersfoort Project current area of 1,601Km² (Joint Venture with Badimo Gas) see Figure 1.

Hole ID	Status	Depth (m)	# Samples	Rig used	Date Core Logged	Date Wireline Logged
KV-02	Completed	623	18	Rig 1- Dik	TBA	04-August-2012
KV-01	Completed	542	5	Rig 1- Dik	TBA	18-October-2012
KV-06	Completed	662	7	Rig 2	TBA	05-October-2012
KV-05	Completed	588	5	Rig 2	TBA	21-November-2012
KV-04	Completed	620	5	Rig 1	TBA	23-November-2012
KV-03	Completed	571	7	Rig 2	TBA	12-December-2012
KV-07	Completed	673	7	Rig 1	TBA	24-January-2012
KV-12	Abandoned	502	9	Rig 2	TBA	Abandoned
KV-10	Completed	559	4	Rig 1	TBA	10-March-2013
KV-12CR	Completed	654	9	Rig 2	TBA	23-March-2013
KV-09	Completed	514	5	Rig 1	TBA	10-April-2013
KV-11	Commenced	193	0	Rig 2	TBA	TBA

Table 2 – Volksrust Exploration Coring Program update

Amersfoort Project Funding

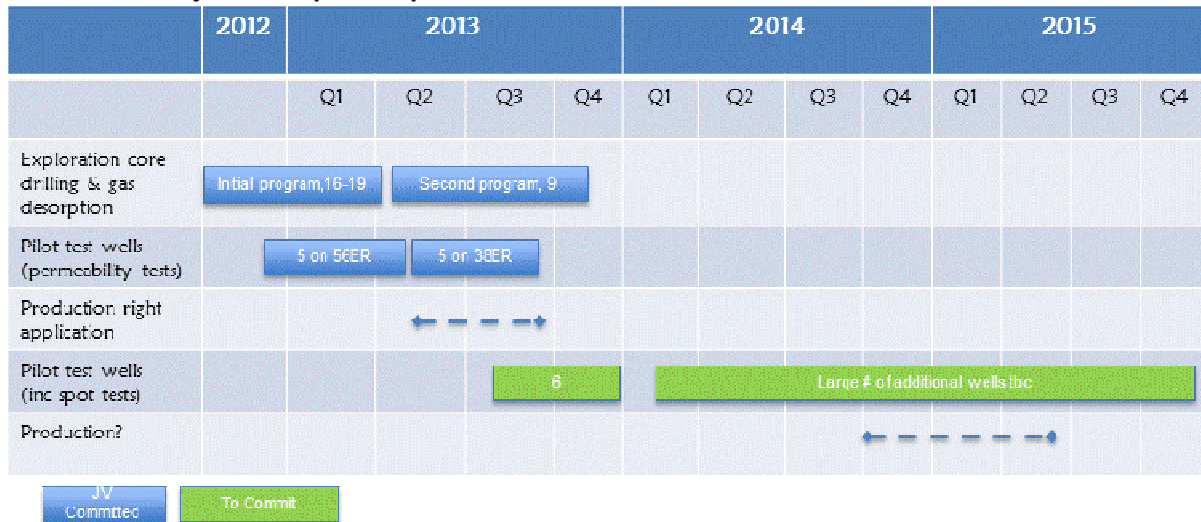
As previously announced, in December 2012 Kinetiko Energy completed expenditure of the first ZAR26m (South African Rand) on the Amersfoort Project as required under the terms of the Joint Venture agreements. In accordance with those agreements, Kinetiko has issued monthly cash calls to Badimo Gas in respect of their 51% share of further exploration expenditure on the project. We await payment of these funds to Kinetiko under the terms of the Joint Operating Agreement.

- For the year to 30th June 2013, Kinetiko estimate that Badimo Gas will be liable to fund \$1.2m-\$1.5m of exploration expenditure on the Amersfoort project under the Joint Venture agreements. Kinetiko is fully funded until January 2014 assuming contributions by Badimo Gas are met. Finalisation of these discussions is expected in May.
- Kinetiko are fully funded to January 2014, with \$3.2m cash at end of March 2013 (and assuming Badimo's contribution of \$1.1m to end March 2013, which is being negotiated under the term of the JV agreements)
- Kinetiko has also been recently advised that Badimo Gas have had two of their additional exploration rights granted in South Africa.

As announced previously the JV are finalising an additional exploration program to commence in Q2 2013 (9 extra exploration core holes and 5 additional pilot test wells) forecast to cost the JV \$3.4m

(Kinetiko 49%, Badimo Gas 51%). The JV are also undertaking planning for Production Rights applications in Q3.

Amersfoort Project anticipated Operations schedule



OTHER EXPLORATION

TECHNICAL COOPERATION PERMITS (KINETIKO 100%)

Kinetiko has consolidated its early mover advantage in unconventional energy in Southern Africa by securing prospective tenure in its own right and developing unconventional gas exploration models applicable to all the Karoo Basins of Sub-Saharan Africa.

Kinetiko has Technical Cooperation Permits (TCP) both granted and applications covering 14,106 Km² (Kinetiko 100%); of which four TCPs are granted and being assessed over an area of 7,890Km²

- TCPs allow the holder twelve months to carry out desktop investigations and a unique right to convert areas to exploration licenses.

Gustavson Associates estimate that Kinetiko's four granted TCP areas to have Prospective Resources of Gas In Place (GIP) of 9.3tcf (P50).

Kinetiko's TCP areas are all located adjacent to or near the Amersfoort Project and are underlain by similar coal bearing Permian Karoo sequences. Coal depths range from equivalent to the Amerfoort licences to 800+ metres. Drill hole data from historical coal and mineral exploration has been acquired and is being collated and interpreted.

Kinetiko's potential exploration area (applications & granted)	Km ²
Amersfoort Project JV (Kinetiko 49%)	1,601
37TCP	4,329
38TCP	1.437
39TCP	1.761
42TCP	363
64TCP application	2,394
Amersfoort East TCP (new application)	3,823
Total Area potential	15,707
<i>MOU with Badimo Gas on Exploration Right Applications</i>	7,086

OTHER PROJECTS AND NEIGHBOURING COUNTRIES

As part of Kinetiko's Corporate Strategy-Kinetiko is advancing assessment of additional projects in South Africa and also in other parts of southern Africa. Kinetiko is pursuing a balanced portfolio and building a highly capable local team. All with the aim of adding significant value to the company from an early mover basis

Competent Persons:

The resource estimates used in this announcement have been compiled by Michelle G.Bishop, an American Institute of Professional Geologists Certified Professional Geologist with more than 30 years' experience in oil and gas fields. Ms Bishop is an employee of Gustavson Associates LLC. As such Ms Bishop qualifies as a competent person as defined by clause 20 of the VALMIN Code and under ASX listing rule 5.11. Ms Bishop and Gustavson Associates have consented in writing to the use of their resource estimates in the form that they appear here.

SUMMARY

- During the Quarter Kinetiko and its JV partner (Badimo Gas) continued to enjoy exploration success at the Amersfoort Project. Pilot test well drilling, completions and gas testing continues following first successful pilot test well.
- An additional 9 hole exploration coring program on the Amersfoort Project has been agreed by the JV.
- Kinetiko aims to book maiden 3P/2P reserves early Q3 2013, and is progressing gas commercialisation and production right planning.
- Evaluation of Kinetiko's TCP to continue during Q2 Quarter with the aim of lodging exploration right applications early Q3.
- Exploration and evaluation operations continue strongly.

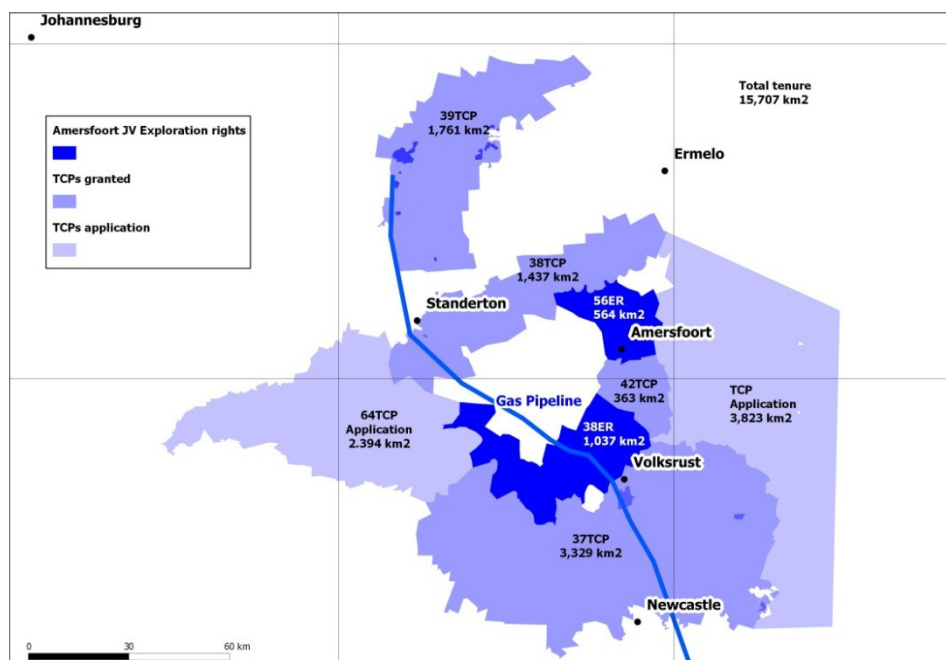
ABOUT KINETIKO ENERGY (ASX: KKO)

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 which make it an attractive area for a rapidly emergent industry.

Kinetiko is an early mover and pursuing gas projects that will supply clean energy and create jobs. Kinetiko has a large potential exploration area of which 9,491km² is granted and being explored. Kinetiko has applied for two TCPs (Technical Co-operation Permits) over 6,217km² of prospective tenure and Badimo Gas has approximately 7,086km² of applications pending for which Kinetiko has an MOU. Gustavson Associates estimate Kinetiko's four granted TCP areas (100% Kinetiko) to have Prospective resources, Gas In Place (GIP) of 9.3tcf. TCPs allow evaluation and a unique right to apply for exploration licences over the same area.

The Amersfoort Project

Kinetiko (49% interest) is the operator of 2 gas licences in the Amersfoort Project covering 1,601km² with South African partner: Badimo Gas Pty Ltd (51% interest). The Project is located in the heart of South Africa's energy infrastructure in Mpumalanga, South Africa, 250km east of Johannesburg. Mpumalanga is highly prospective area for coal-bed methane (CBM) with well documented, gassy coal measures and gassy sandstones overlying coals. US based independent, oil and gas consultant: Gustavson Associates estimates the Amersfoort Project to have Prospective resources "Gas In Place" of 2.4tcf (up from 1.7tcf in 2011) and Contingent Resource of 1.5tcf. The aim of the exploration program is to improve Resources and classify Reserves. Exploration drilling commenced late 2011 and programs are scheduled to continue throughout 2013. Drilling of the first pilot test wells commenced Q4 2012. Kinetiko aims to book first reserves by mid 2013.



Kinetiko's exploration tenure; granted and under application

For more information visit: www.kinetikoenergy.com.au or contact Investor Relations: James Harris (PPR) on +61 8 9388 0944, or Andrew Lambert, Managing Director, Kinetiko Energy Limited, +61 8 6315 3500