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SEPTEMBER 2013 QUARTERLY OPERATIONS REPORT

Exploration Highlights

- A three pilot test well program was commenced in September at the Amersfoort Project.
- The first well in the program (KA-06PT) on Amersfoort Project northern licence (56ER) has been completed and has successfully flared gas.
- The second well (KA-03PT2) also on 56ER has also been completed and is currently spontaneously (without water pumping or other stimulation) flaring gas at a rate 24,000 to 25,000scf/d.
- The South African oil and gas regulator has accepted Kinetiko's three Exploration Right (ERs) applications covering a prospective area of ~4,288Km², adjacent to or near the Amersfoort Project.

Amersfoort Funding

- As announced in July, Kinetiko's partner (Badimo Gas) paid approximately \$1.1m cash calls for exploration completed to 31 May 2013.
- The current exploration program is estimated to cost ~\$1.1m.
- The JV is continuing discussions with several potential gas customers.



Amersfoort Project (KKO 49% interest)

Kinetiko is the operator of two 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 a 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 and Contingent Resource of 1.5tcf. The aim of the current exploration program is to improve resources and classify reserves.

Amersfoort Operations

Kinetiko recommenced drilling at its Amersfoort Project in September with a three pilot test well program. The first well KA06PT (Figure 1) was spudded in the northern exploration right 56ER. As previously reported to the ASX (21/10/2013) KA-06PT has successfully flowed gas over an initial period of 12 days at a rate of 10,000scf/day. The well was totally unstimulated with an uncased (cased from surface but uncased over the target coals and sandstones "barefoot") completion over a 222m test zone of sandstones, coaly mudstones and coals. Gas pressure was noted during drilling and flow has been consistent since a down hole pump was set and water production commenced. Gas flow is currently limited by water extraction. Further flow testing with prolonged water extraction to achieve a certifiable stabilised flow will be considered at a later date.

Subsequent to the end of the September Quarter (as previously announced to the ASX, 30-10-2013) the second pilot test well in the current program KA-03PT2 on the Amersfoort Project, northern exploration right 56ER, was completed to a depth of 458m. The well was subsequently equipped with a down hole (ESPCP) pump, flow separation and flow control skid. A well shut-in test produced a maximum casing pressure of 197psi. After an initial pump down of water levels to around 54m above the pump at a depth of 395.8m pumping was stopped and the well was opened to gas flow. Subsequently the well has been flowing spontaneously without further pumping of water at 24,000 to 25,000 scf/d. Water levels have stabilised at around 200m below surface providing 195m of head pressure that the gas is overcoming.

The well will continue to be flared without stimulation and pumping. The hole is located 330m from the pilot test well KA-03PT that flowed as previously reported at rates of up to 350,000scf/d. Tandem operation of the two adjacent wells as a "two spot" test will be considered at a later date.

Kinetiko has now achieved gas flows from six out of seven production test wells drilled on its northern exploration right 56ER (Figure 1). All wells have been "barefoot" completions and have been unstimulated. Gas has commenced flowing from the 6 successful wells either spontaneously or as soon as water levels began to be lowered by down hole pumping. The

seventh hole failed due to hole conditions which may be rectified with spotting of cement at a later date. Two of the 5 holes continue to be flow tested (KA03PT and KA03PT2). The other four have been shut in to await a decision on further testing in their vicinity.

The rapid and often spontaneous on set of gas from the 6 flowing wells is considered to be indicative of gas flowing mainly from conventional gas accumulations in the sandstones above the coals. Optimised flow of seam gas from the coals is not expected to be achieved until multiple wells are drilled in test locations to effectively lower the hydrostatic pressure over a significant area of coal seam.

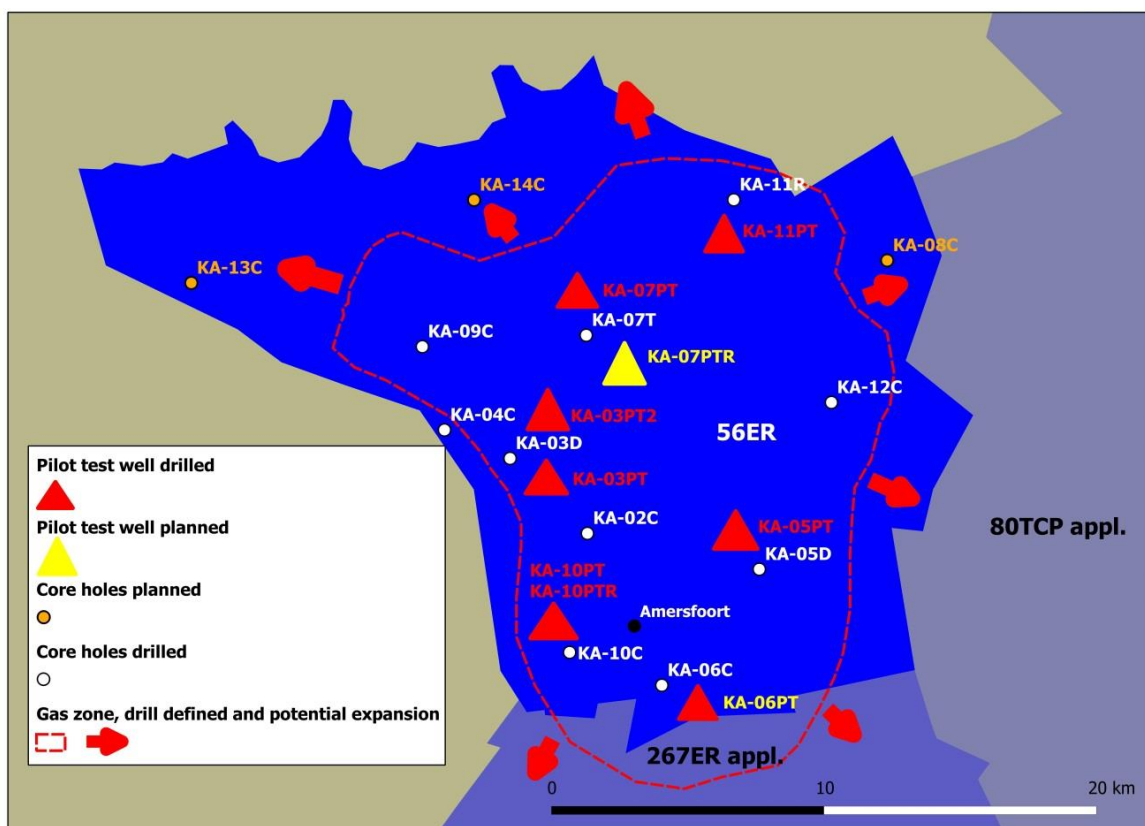


Figure 1 – Pilot test well progress for the northern licence (56ER)

Additional Exploration Rights

The South African oil and gas regulator (Petroleum Agency South Africa or PASA) has accepted Kinetiko's three Exploration Right (ERs) applications covering a highly-prospective gas area of ~4,288Km² (see figure 2).

An Environmental Management Plan, stakeholder consultation process and collation of title deeds over the application areas will be submitted to PASA in December 2013. The ER applications will then be evaluated by the regulator in early 2014.

Kinetiko has also made two further TCP applications during the year which are awaiting approval. Kinetiko, along with assistance from Badimo, continues to review and make additional applications for prospective land areas.

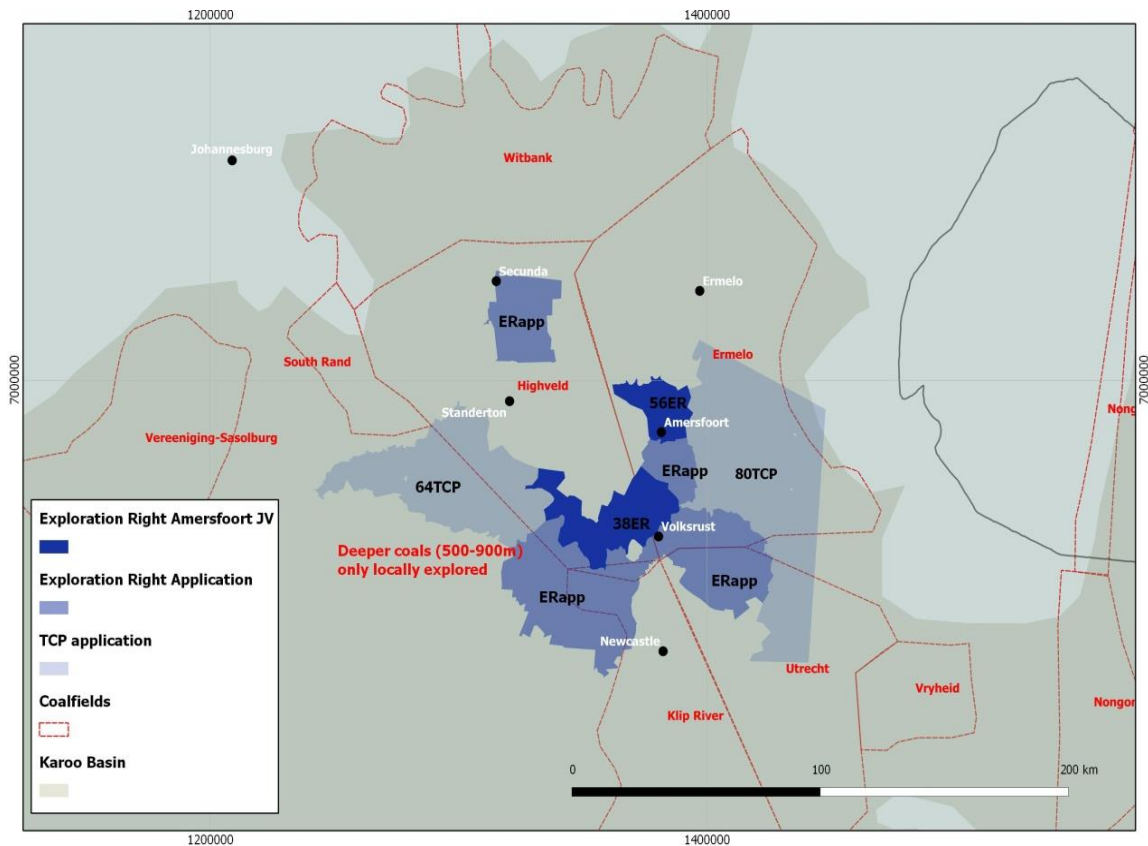


Figure 2: Kinetiko's exploration tenure; granted and under application

December Quarter Plans

During the December Quarter the third pilot test well at the Amersfoort Project in the current 3 hole program will be drilled and flow testing continued on KA-03PT and KA-03PT2.

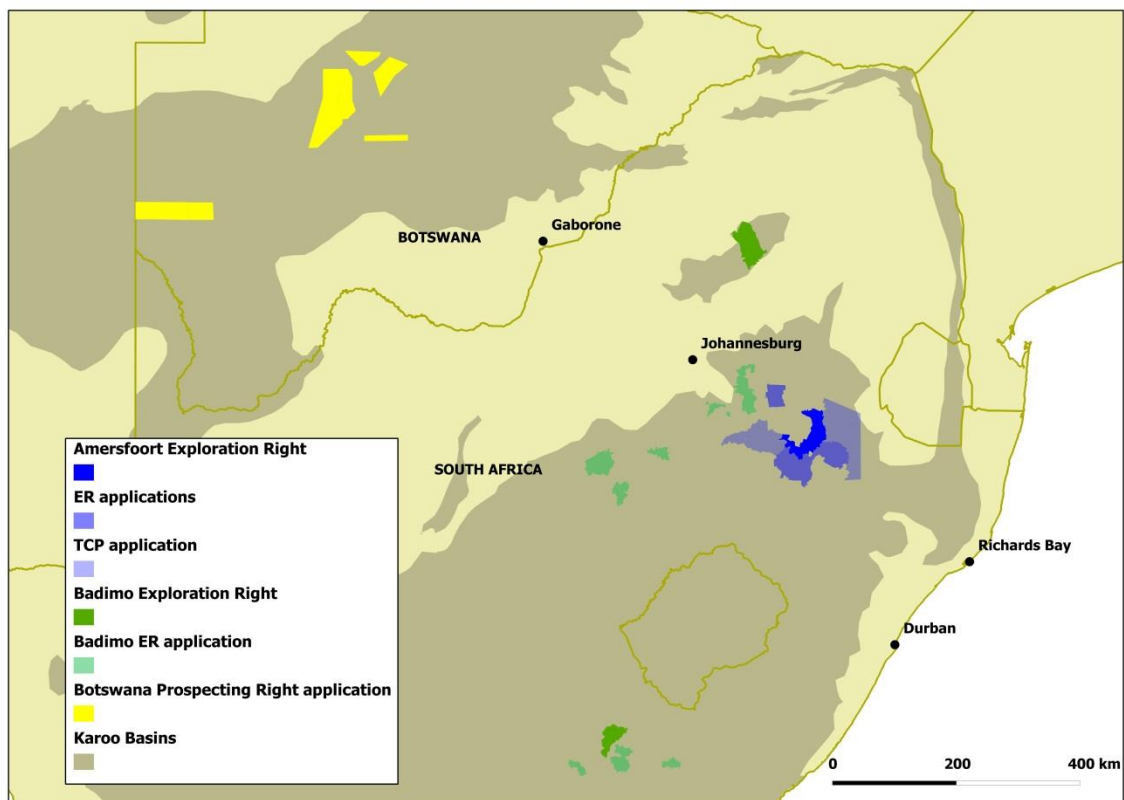
Discussions are also continuing with Kinetiko's Amersfoort Project JV partner Badimo Gas Ltd on the potential for optimising operational and corporate arrangements including the establishment of a new JV company.

Unless otherwise specified information in this report relating to exploration and related technical comments have been compiled by Dr James Searle, a Member of the Australian Institute of Mining and Metallurgy, and a non -executive Director of Kinetiko Energy Ltd with over 30 years' experience in metallic and energy minerals exploration and development, including over 5 years' experience in hydrocarbon exploration. Dr Searle consents to the inclusion of this information in form 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. The Company has a large potential exploration area, of which 9,491Km² is granted and being explored.

Kinetiko has applied for two Technical Co-operation Permits (TCPs) over 6,217Km² of prospective tenure and its Joint Venture (JV) partner Badimo Gas has approximately 7,086Km² of applications pending.



For more information visit: www.kinetikoenergy.com.au or contact Andrew Lambert, Managing Director, Kinetiko Energy Limited 08 6315 3500