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ASX: KKO

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MARCH 2014 QUARTERLY OPERATIONS REPORT

Perth-based energy exploration company Kinetiko Limited (ASX: KKO) is pleased to report on its activities at the 49%-owned Amersfoort Project in South Africa, as well as corporate developments, for the March 2014 quarter.

Quarter Highlights

Amersfoort Project, South Africa

- Review of Amersfoort Project well testing data by external consultants indicates potential for improved well design to optimise gas production and minimise water co-production.
- The review also concluded gas flow from the test wells so far has been from the sandstones, additional flow from the coals can be expected once they are appropriately depressurised.
- The review also supports the concept of progressing to a 5 well pilot field development tapping initially conventional gas in sandstones before production from the coal seams.
- A high resolution aeromagnetic survey was commissioned to provide further geological detail in preparation for the planning of the next single spot interval test wells and the 5 well pilot field.

Corporate

- \$1.21M cash as at end of March 2014.
- JJC Exploration Products, an experienced group that provide oil and gas technical and commercial services to the oil and gas industry in South Africa has been appointed as consultants to provide project management and technical services for Kinetiko in South Africa on a non – exclusive contractual basis. Details of the services and the individuals from JJC Exploration Products are contained within this report.

June Quarter Plans

- **Interpret high resolution aeromagnetic data.**
- **Commence a two well program designed to test coal seams and multiple gas charged sandstone zones in isolation.**
- **Complete concept engineering and layout designs for a five well pilot field development.**
- **Progress the regulatory approval path for the pilot field.**
- **Continue negotiations with potential customers for the pilot field gas production trials.**

AMERSFOORT PROJECT, SOUTH AFRICA (49% INTEREST AND OPERATOR)

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, 250km east of Johannesburg, South Africa.

Mpumalanga is a highly-prospective area for coal-bed methane (CBM) with well documented, gassy coal measures and gassy sandstones overlying the coals. US-based independent, oil and gas consultant Gustavson Associates estimated the Amersfoort Project to have Prospective Resources of Gas In Place" of 2.4tcf and Contingent Resource of 1.5tcf*. Exploration core drilling and production test well drilling continues to demonstrate that gas is widespread throughout the project area in the coal and as conventional accumulations in the adjacent sandstones. Gas pressures encountered down hole have often exceeded 16 bar (224 psi) (Figure 1).

** Previously reported to the ASX on 13th August 2012, and Kinetiko Energy is not aware of any factors that may materially affect the resource estimate at this time.*

External Review of Amersfoort Project Data

General Petroleum Oil Tools (GPOT) of Brisbane has a team of CBM well completions and engineering specialists with extensive experience in CBM exploration and production in Eastern Australia and internationally including Africa. GPOT were asked to review Amersfoort Project exploration and well data. The main conclusions from the review were:

- Gas production from the Amersfoort test wells has largely been from gas in the sandstones not the coals.
- Sufficient depressurisation of the coals to properly release their known gas content has not yet been achieved.

- The open hole “barefoot” completion design of the test wells to date while effective in demonstrating the widespread distribution of gas in sandstones and high gas shut in pressures, is sub optimal for maximum gas flows from both the sandstones and the coals.
- Alternative well design and operation has the potential to maximise gas production and minimise water co-production.
- The wide distribution of gas in the sandstones warrants it being separately evaluated from the coal seam gas resource.
- Geophysical techniques such as aeromagnetic surveys will assist in definition of gas in sandstone reserves estimation as well as optimising placement of exploration or appraisal wells and pilot field design.
- Definition of reserves of gas in the sandstones and progression to production is likely to be cheaper and more rapid than definition of reserves and progression to gas production from the coals.
- The potential for initial field development based on gas in the sandstones should be investigated as this would then assist in the subsequent development of gas production from the coal.

Technical Initiatives

Following from this external review Kinetiko is now proceeding with the following technical initiatives for the Amersfoort Project:

1. **High Resolution Aeromagnetic Survey** - As announced on the 1st of April Kinetiko has commissioned a 3,555 line kilometre high resolution aeromagnetic survey covering about 145km² of the northern Amersfoort exploration right, ER 56 (Figures 2 and 3) . The survey will be completed in April and the initial results available by the end of the month. The survey will provide the necessary geological detail for design of the next two test wells and the layout of a five well pilot field. This additional geological information will also assist in the modelling of gas reserves. The survey commenced on the 8th of April and was completed on the 17th of April (Figure 2). Initial processing and imaging of the data indicates it will provide much valuable geological data for on going well siting and field development planning. Detailed interpretation of the data will be undertaken in May.
2. **Pilot interval testing wells** - GPOT has been asked to design two appraisal wells to test gas flows in the coal and sandstone intervals in isolation. These appraisal wells will be engineered to provide the flexibility for a range of interval tests. The information obtained will lead to optimal engineering and operating parameters on which production wells will be based. Depending on regulatory approvals and the availability of suitable drilling and downhole equipment it is intended to begin drilling the two wells in June 2014.

3. **Pilot field concept design** - GPOT has also been asked to prepare a conceptual design for a 5 well pilot field in the vicinity of the Amersfoort KA-03PT, a well that achieved flow rates of up to 350,000scf/day, essentially from the sandstones as discussed above. The pilot field concept will focus at least initially on production of gas from the sandstone intervals. The concept design will include well specification, downhole equipment, surface equipment, gathering systems and compression. The pilot field conceptual design will enable Kinetiko to present the pilot field concept to regulators and potential commercial trial offtake partners.

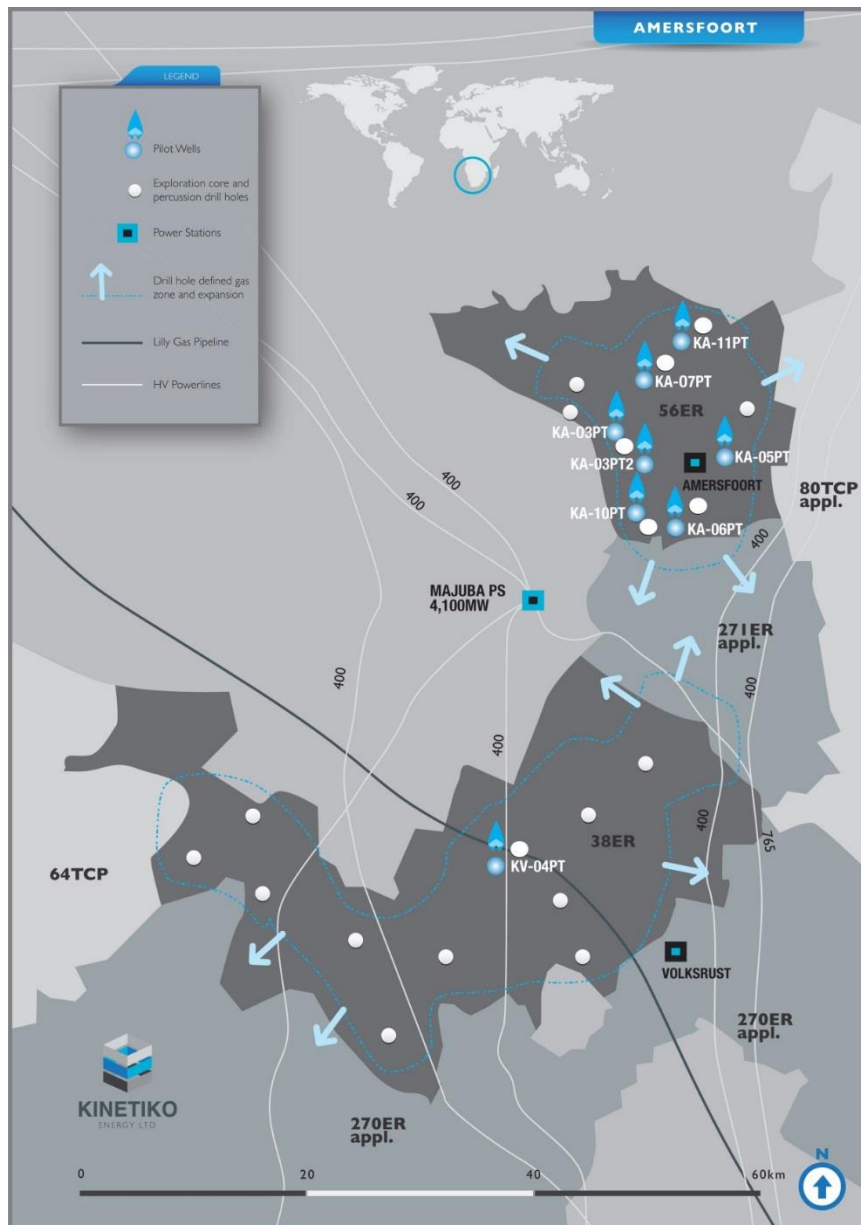


Figure 1 – Pilot test wells and core drilling, Amersfoort Project.

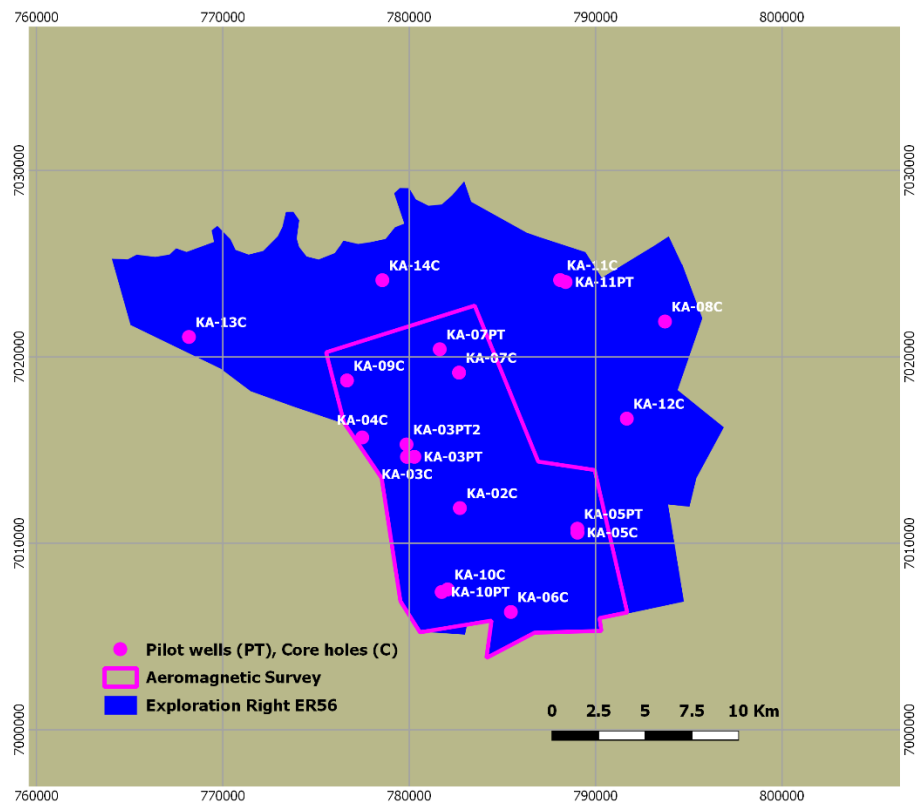


Figure 2 Aeromagnetic survey area on Exploration Right ER56 Amersfoort



Figure 3 Aeromagnetic survey in progress on the Amersfoort Project 9th April 2014.



Corporate

Kinetiko is pleased to announce that during the March Quarter it has contracted JJC Exploration Products to provide project management and technical services for Kinetiko in South Africa on a non-exclusive basis utilizing primarily and initially the services of Johan Visage and Willem de Meyer and accordingly their supporting professionals at JJC Exploration as required. JJC Exploration have been contacted and retained to supply approximately 80 hours a month to Kinetiko.

JJC Exploration Products is a South African consulting company established in 2006 to provide upstream petroleum consulting services in the areas of geosciences, operations, petroleum economics, and related areas.

The company provides advisory and management services to South African and international investment banks, junior and major petroleum companies. JJC Exploration also has extensive experience with energy and petroleum regulatory bodies in South Africa, including the Petroleum Agency of South Africa (PASA), the National Energy Regulator of South Africa (NERSA) and Department of Energy.

At the end of the March Quarter Kinetiko had cash at bank and receivables of \$1.21M.

For more information visit: www.kinetikoenergy.com.au Or contact Geoff Michael or James Searle, Joint Managing Directors, Kinetiko Energy Limited +618 6315 3500

Except where indicated by reference to previous resource announcement to the ASX, 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. 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.

