



Kinetiko Energy Limited
ACN:141 647 529

283 Rokeby Rd
SUBIACO WA 6008

Phone: +61 8 6315 3500

Fax: +61 8 9481 1947

Email: info@kinetikoenergy.com.au

Web: www.kinetikoenergy.com.au

ASX: KKO

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JUNE 2013 QUARTERLY OPERATIONS REPORT

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

- **As announced on the 24th July 2013, Kinetiko's partner for the Amersfoort project Badimo Gas paid approximately \$1.1m for project activities completed to 31 May 2013.**
 - **Kinetiko and Badimo have agreed an audit process to prevent further funding disputes occurring in the future.**
 - **The Amersfoort project is currently funded to Q1 2014.**
- **Exploration activities are to recommence on the Amersfoort project by September with aim of completing at least 3 further pilot test wells.**
- **As announced the second pilot test well KA-10PT, encountered gas and engineering analysis continues on the completed pilot test wells (refer table 1).**
- **Maiden reserves are still expected for Q1, 2014.**
- **The Amersfoort Project (Kinetiko 49%, Badimo Gas 51%) covers an area of 1,601 Km² and has Prospective Resources of 2.4tcf GIP;**
- **Desktop exploration interpretation continued on Kinetiko's four granted TCPS over an area of 7,890Km² and an Exploration Right application is to be made on part of this large area.**
- **During the quarter, Kinetiko applied for 10,500Km² of exploration tenure in central Botswana.**

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.

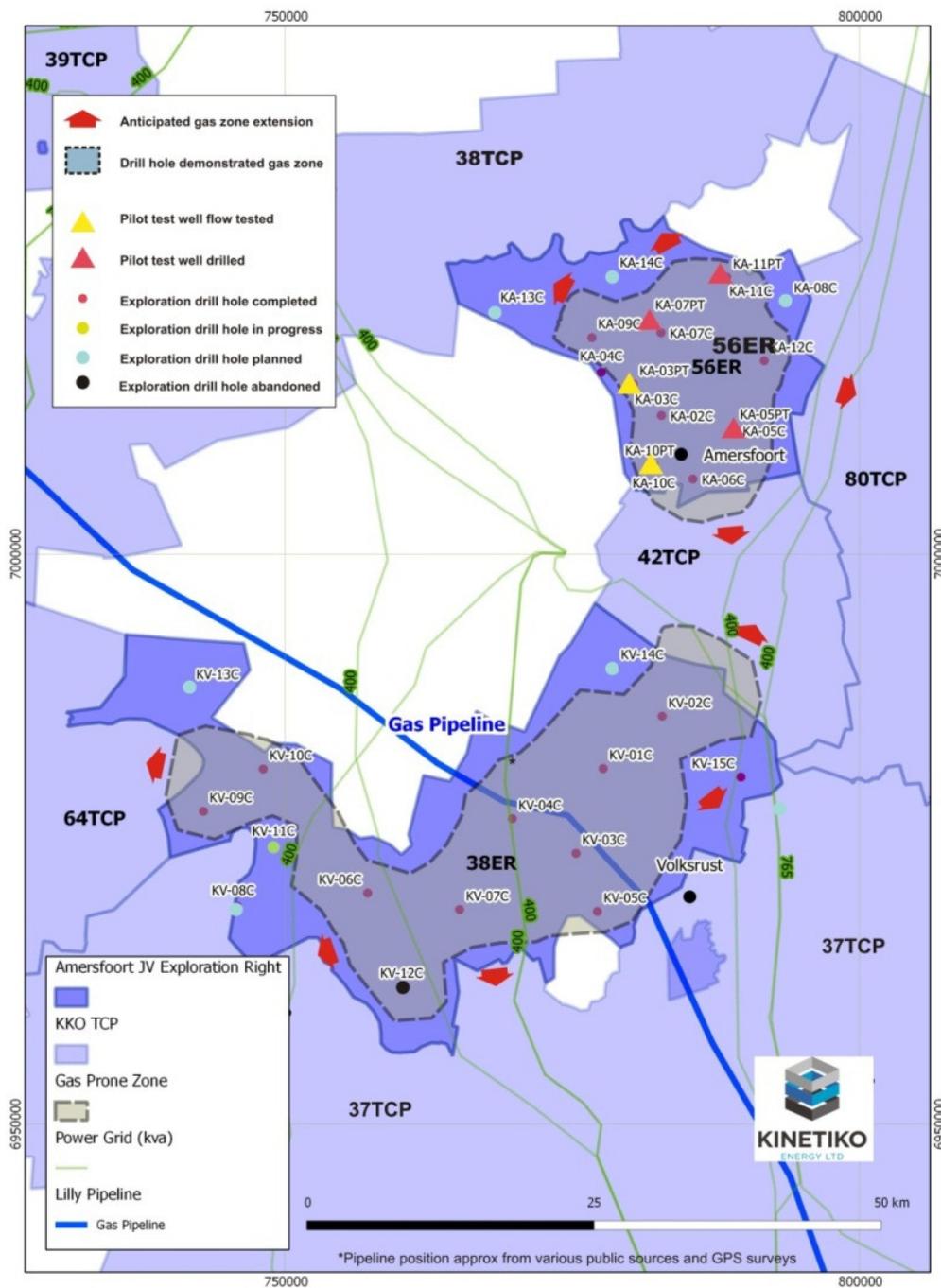


Figure 1- Amersfoort Project and potential gas zone extension in the area

Pilot Test Wells

Five exploration pilot test wells have been drilled and two continue to be tested on the Northern Licence (56ER). KA-03PTR certified test results were announced to the ASX in March 2013. Initial down hole pump problems with KA-10PTR were overcome with a redrill and KA-10PTR has successfully flowed gas.

- KA-10PTR redrill was spudded 27th May and has produced a measured stabilized gas flow of 45mscf/d over a 10 day period. The well is now shut in for a pressure build up test and shut ins, pending further technical and JV review.
- As reported Pilot test well KA-03PTR flowed 332Mscf/day and is located 8km away from KA-10PTR.

KA-11PT and KA-07PT have shown gas but will require further work if they are to be properly flow tested, they will be revisited once the JV parties have agreed the work programme. KA-05PT yielded some gas flow but not enough to warrant further testing.

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 3 for an illustrative section.

The South African oil and gas regulator (PASA) approved 8 Pilot Test wells on the Southern Licence at Volksrust (38ER). An initial program of 5 Pilot Test wells is planned.. As in the Northern license area, the pilot test wells will be located in areas identified in exploration drilling to contain gassy intervals and geophysical well log indications of conventional gas in the sandstones.

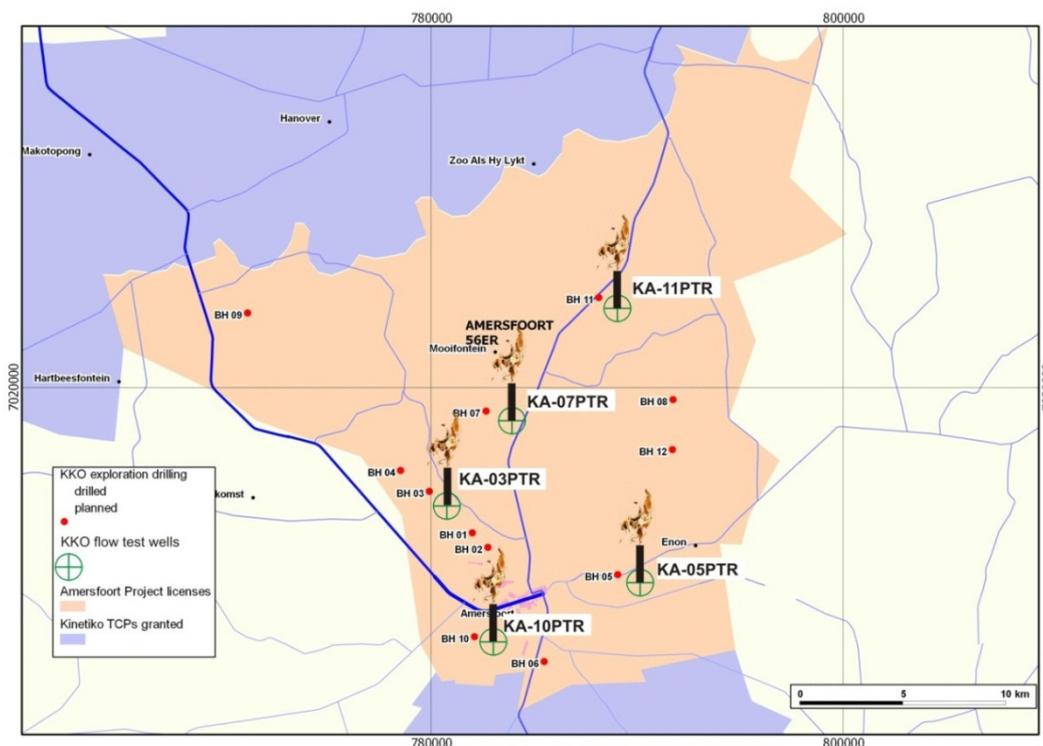


Figure 2- Location of Amersfoort Project pilot test wells

Date of Progress Report	29-Jul-13					
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-10PT	KA-10PTR	KA-05PT	KA-11PT	KA-07PT
Total Depth (m)	370	440	tbc	344	392	440 Est
Current Depth (m)	370	440	133	344	392	417
Status	Both stages pump-tested. Core hole has been plugged & longer testing is underway.	Abandoned and redrill. Fishing failed on stuck pump and tubing.	Initial gas testing conducted over 10 days, pressure build up test underway before we shut in well.	Re-cement base of casing- Skid/pump run. Low static water level, yielded gas flow but only low pressure. Potential water storage well.	Well tested large volumes of fresh water with entrained gas. Logs indicate fresh water ingress from basal dolerite. Plan to cement back and retest.	Pump- tested full stage. Good gas pressure but low flow rate. May redrill away from collapsing dolerite.
Estimated flow test completion	Initial Test March Ongoing one spot testing	NA	Initial Tests by end July	Test Discontinued	Postponed pending JV negotiations	Postponed pending JV negotiations
Aim to certify test results	Initial Test 21st March, ongoing spot testing	NA	August	Test Discontinued	Postponed pending JV negotiations	Postponed pending JV negotiations

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

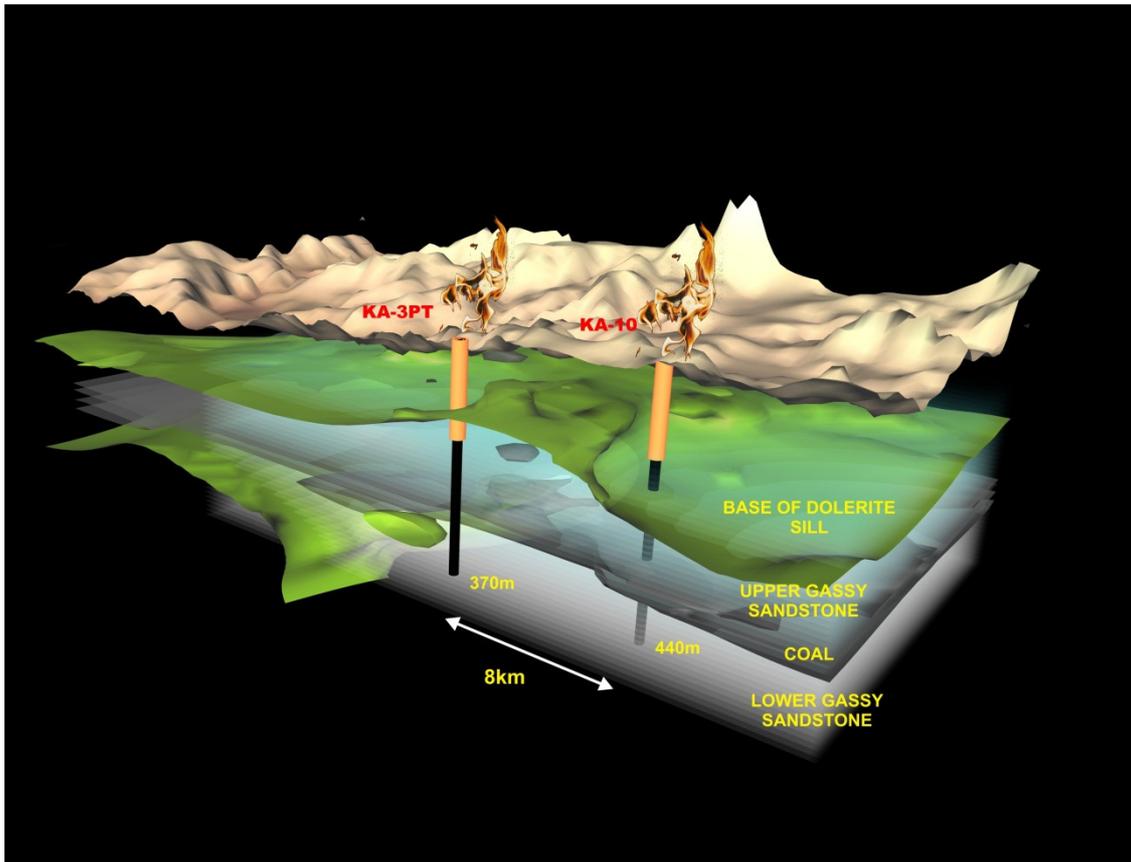


Figure 3: Schematic section of pilot testing wells KA-03PT & KA-10PT

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	JV Phase	Depth (m)	# Samples	Samples (m)
KV-02	Completed	Phase 1	623	18	15.02
KV-01	Completed	Phase 1	542	5	3.19
KV-06	Completed	Phase 1	662	7	4.4
KV-05	Completed	Phase 1	588	5	2.77
KV-04	Completed	Phase 1	620	5	3.86
KV-03	Completed	Phase 1	571	7	4.56
KV-07	Completed	Phase 1	673	7	4.61
KV-12	Abandoned	Phase 1 extended	502	9	5.51
KV-10	Completed	Phase 1	559	4	2.25
KV-12CR	Completed	Phase 1 extended	654	9	6.06
KV-09	Completed	Phase 2	514	5	2.63
KV-11	Completed	Phase 2	632	7	3.44

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.

Following negotiations Badimo Gas Bas paid approximately \$1,1m pursuant to cash calls made up to the end of May 2013; this followed a comprehensive reconciliation of joint venture accounts and places the parties in a superior position to coordinate joint financial participation on the Amersfoort project going forward.

- For the year to 30th June 2013, Kinetiko estimate that Badimo Gas will be liable to fund \$1.5m of exploration expenditure on the Amersfoort project under the Joint Venture agreements.

The parties have agreed the implementation of an audit process that will enable more efficient and transparent production of joint venture accounts and prevent further funding disputes in the future.

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.

Badimo Gas had two of their additional South African exploration right applications granted. Kinetiko has a Memorandum of Understanding to look at incorporating Badimo assets into the Badimo-Kinetiko Joint Venture.

OTHER EXPLORATION

TECHNICAL COOPERATION PERMITS (KINETIKO 100%)

Kinetiko has 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 Amersfoort licences to 800+ metres. Drillhole data from historical coal and mineral exploration has been acquired and is being collated and interpreted.

OTHER PROJECTS AND NEIGHBOURING COUNTRIES

As part of Kinetiko's "Four Pillar" Corporate Strategy-Kinetiko is advancing assessment of additional projects in country (Pillar 3) and in the region (Pillar 4) with the aim of adding significant value to the company from an early mover basis

During the quarter, Kinetiko applied for 10,500Km² of exploration tenure in central Botswana (Figure 4).

- The eleven application areas cover portions of the Permian Kalahari Karoo Basin that extends across Botswana.
- The applications are based on an initial 3 year term and have been accepted by the Department of Mines, processing and granting is expected in July.
- First year exploration commitments amounts to a minimum A\$330,000 for the 11 areas, the majority of expenditure is likely to occur H1 CY 2014 and there is significant flexibility to negotiate the terms.

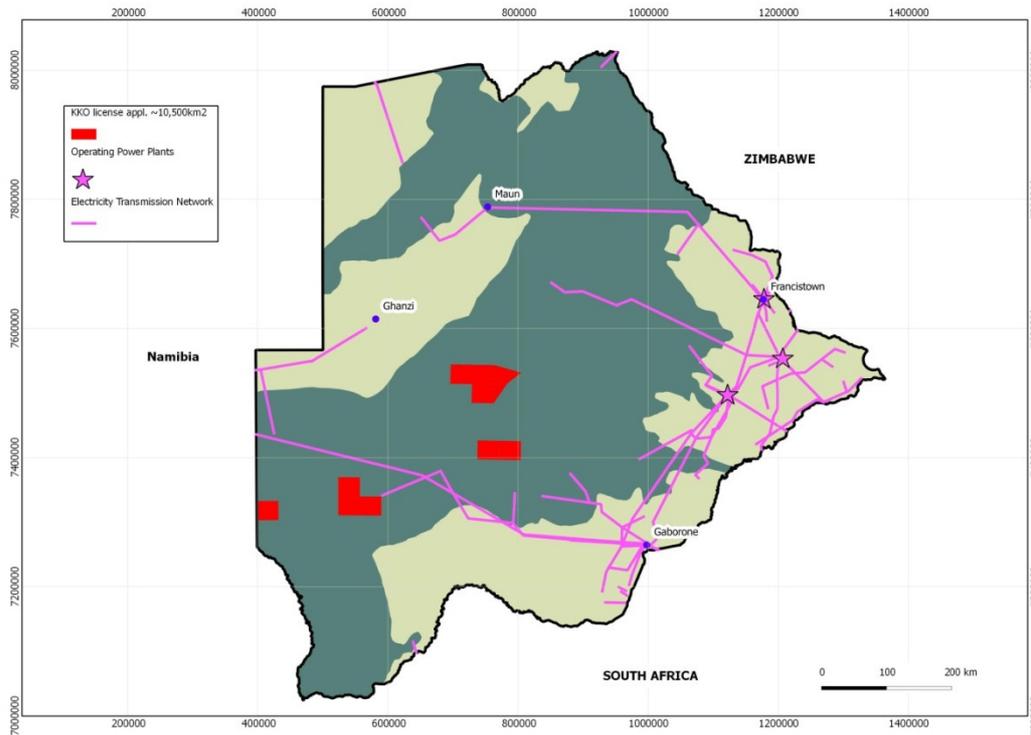


Figure 4 Electrical power infrastructure. Botswana is connected to the Southern African Power Pool (SAPP).

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 full resource statement previously been reported .e.

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.
- Kinetiko aims to book maiden reserves early Q1 2014, and is progressing gas commercialisation and production right planning.
- Evaluation of Kinetiko's TCP to continued during the Quarter with the aim of lodging exploration right applications early Q3.

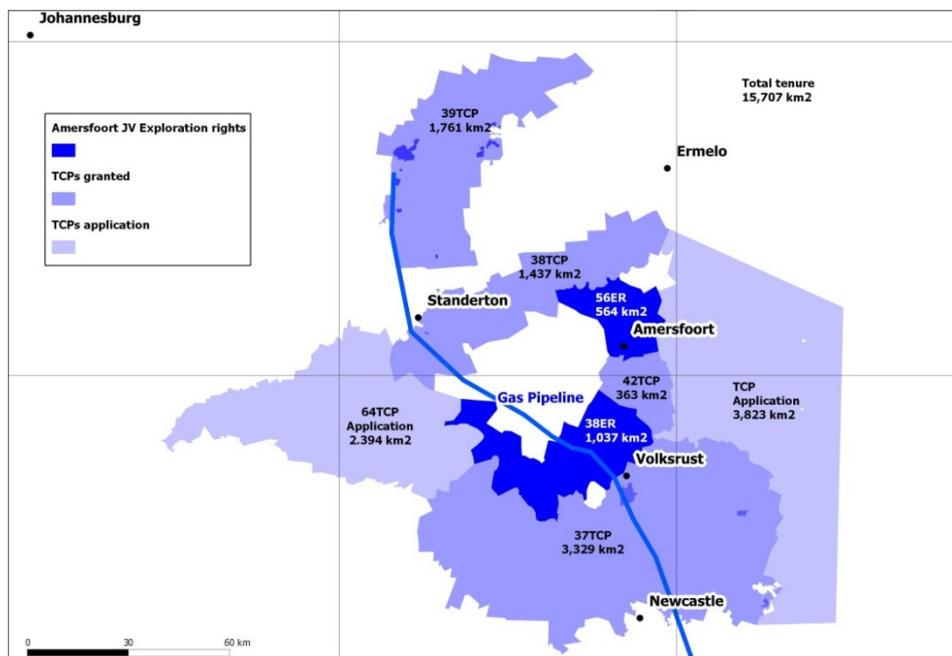
ABOUT KINETIKO ENERGY (ASX: KKO)

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'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