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30th October 2012

SEPTEMBER 2012 QUARTERLY OPERATIONS REPORT

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

- **Major resource upgrade (41%) received for Amersfoort Project to Gas In Place (GIP) 2.4tcf;**
- **Exploration drilling continues to encounter significant and widespread gas indications in target coal seams and overlying sandstones;**
- **Second exploration drilling rig mobilised for Amersfoort drilling and core collection.**
- **First Amersfoort Project pilot production well ready to spud with specialised rig and supporting equipment now on location;**
- **Kinetiko aims to book reserves for the Amersfoort Project in Q1 2013;**
- **Kinetiko applied for its fifth onshore oil and gas Technical Cooperation Permit area to add to its four granted TCPs covering ~7,911km²;**
- **On schedule and under budget with approximately \$3.1m cash.**

AMERSFOORT PROJECT OPERATIONS (Kinetiko 49% Interest and Operator)

The Amersfoort Project (Figure 1) has continued to deliver excellent exploration results and the first pilot production well program is ready to commence. Kinetiko aims to book first reserves in Q1 2013.

Amersfoort Project Resource Upgrade

As a result of continued exploration drilling success a resource upgrade was received for the Amersfoort Project. As announced in August 2012, independent US Oil and Gas certifier Gustavson Associates has estimated a Gas in Place (GIP) resource of 2.4tcf (P₅₀) an upgrade of 41% from the previous estimate of 1.7tcf.

Resource Estimate: Amersfoort Project		Billion Cubic Feet			Billion Cubic Meter		
		1C (P90)	2C (P50)	3C (P10)	1C (P90)	2C (P50)	3C (P10)
Gas In Place	CBM Adsorbed Gas	930.5	1,624.6	2,515.0	26.3	46.0	71.2
	CBM Free Gas	36.6	64.8	101.7	1.0	1.8	2.9
	Gas In Sandstone	292.6	706.3	1,450.6	8.3	20.0	41.1
	Arithmetic Total	1,259.7	2,395.8	4,067.3	35.7	67.8	115.2
Total Contingent Resources	CBM Adsorbed Gas	598.3	1,058.3	1,645.1	16.9	30.0	46.6
	CBM Free Gas	29.2	51.9	81.6	0.8	1.5	2.3
	Gas In Sandstone	150.7	372.5	791.0	4.3	10.5	22.4
	Arithmetic Total	778.1	1,482.7	2,517.7	22.0	42.0	71.3
Net Contingent Resources	CBM Adsorbed Gas	293.1	518.6	806.1	8.3	14.7	22.8
	CBM Free Gas	14.3	25.4	40.0	0.4	0.7	1.1
	Gas In Sandstone	73.8	182.5	387.6	2.1	5.2	11.0
	Arithmetic Total	381.3	726.5	1,233.7	10.8	20.6	34.9

Table 1: Gustavson Associates resources summary for the Amersfoort Project (Kinetiko 49% interest).

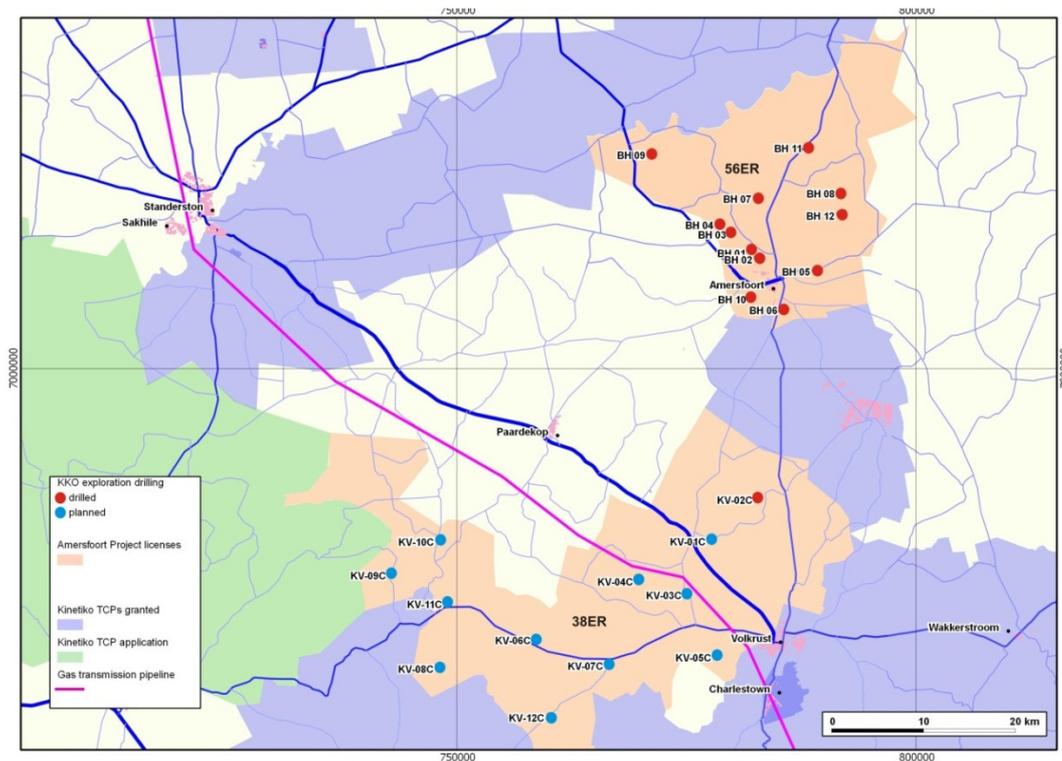


Figure 1 CBM exploration drilling Amersfoort Project.

Amersfoort Exploration

During the September Quarter as planned exploration drilling activity has moved from the northern Amersfoort license area (56ER) to the southern license (38ER) (Figure 1). A second exploration rig was mobilised and an 8+ hole exploration program on 38ER is well underway.

To date 10 exploration holes have been drilled on the northern license. The purpose of the drilling was to justify and locate sites for pilot production testing. This exploration drilling has successfully identified substantial gas accumulations in the target coal seams and strong indications of widespread convention gas accumulations in the overlying sandstones. Spontaneous gas flows have occurred in a number of holes.

Amersfoort Production Testing

Following the exploration drilling results regulatory approval for up to eight pilot production test wells was received for the northern, Amersfoort license (56ER). An initial program of three wells is ready to commence (Figure 2). A fit for purpose drilling rig and all ancillary equipment have successfully been mobilised to site, and the first well will be spudded shortly.

Kinetiko has sought to procure equipment from local sources, 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 production 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 Australian CBM drilling and production contractors working with our existing South African drilling teams.

The location of the first three pilot production wells is shown in Figure 2. The first well will be drilled near exploration hole BH 03.

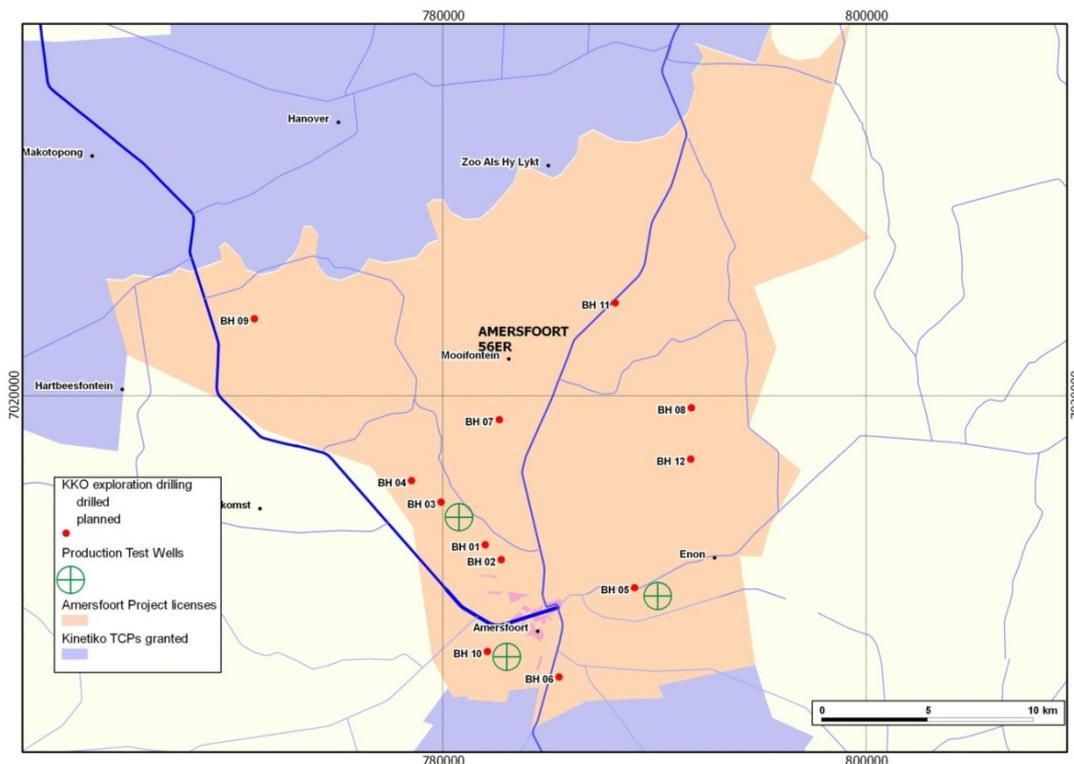


Figure 2 Location of three pilot production test wells on the northern Amersfoort (56ER) license.

TCP EXPLORATION (KINETIKO 100% AND OPERATOR)

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 been granted four TCP (Technical Co-operation Permits) areas in South Africa covering 7,890km² and during the September quarter applied for a fifth area (Figure 3) of 2,394km². TCPs allow the holder twelve months to carry out desktop investigations and a unique right to convert areas to exploration licenses.

As reported in the June Quarter, Gustavson Associates estimate that Kinetiko's four granted TCP areas 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.

During the quarter Kinetiko commenced evaluation work on its granted TCPs. Drill hole data from historical coal and mineral exploration is being collated along with geophysical data. Johannesburg based exploration and coal mining consultants have been commissioned to source and collate this data. Unconventional gas consultancy (Source Rock Engineering of Colorado, USA) is assisting in evaluating the unconventional oil and gas potential of the TCP areas.

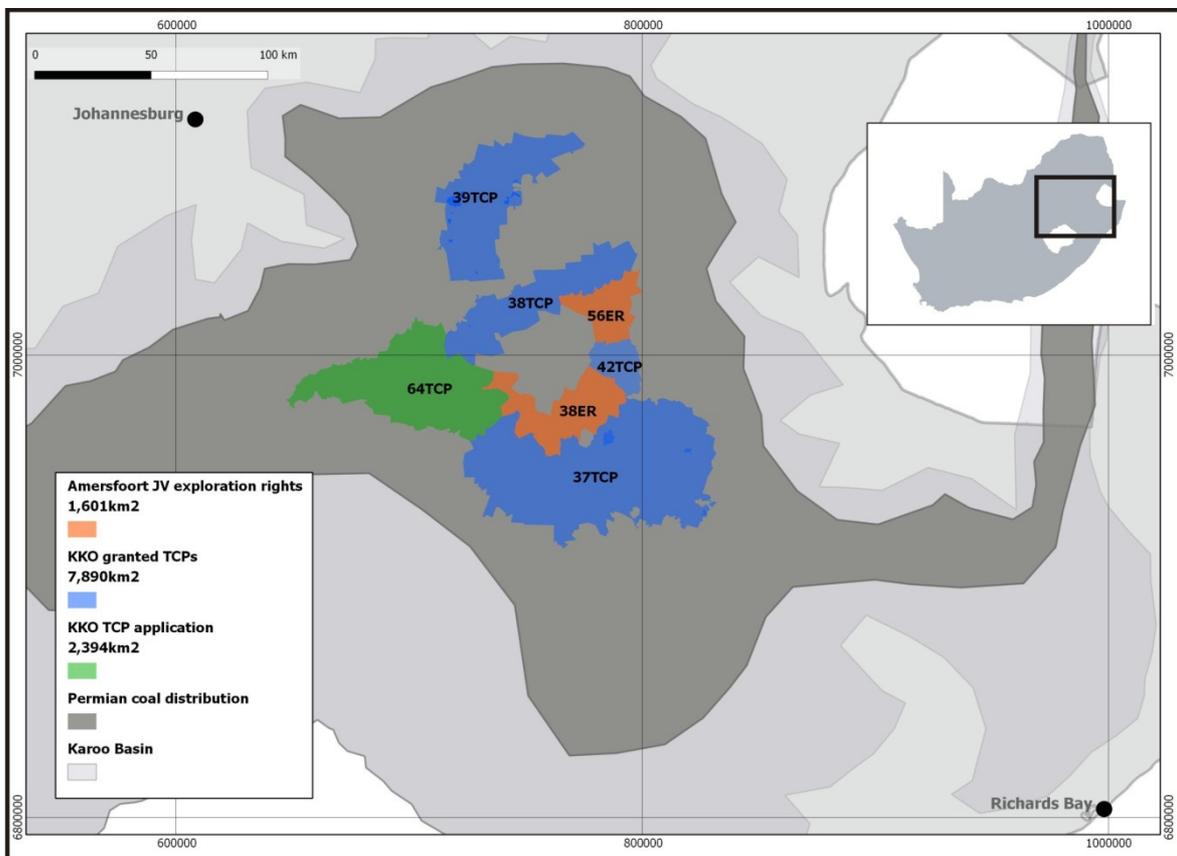


Figure 3: Kinetiko's exploration tenure; granted and under application (Amersfoort 49% interest, TCP's 100% interest)

SUMMARY

During the September Quarter Kinetiko continued to enjoy exploration success at the Amersfoort Project. This has enabled the Amersfoort JV partners to commit to the first production testing program on the northern tenement 56 ER. During the December quarter pilot production drilling and gas flow testing will commence. In addition two exploration rigs are now operating on the southern Amersfoort license (38ER).

Kinetiko aims to book first 3P/2P reserves by early Q2 2013, and is progressing gas commercialisation and production right planning, to expedite potential gas production sales.

Evaluation of the TCP areas will continue during the December Quarter with the aim of lodging exploration license applications early next year.

Corporate

Exploration and evaluation operations remain ahead of budget and the company has reserves to fund planned operations into mid-2013. As at 30 September 2012 Kinetiko held cash reserves of ~\$3.2m.

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.

About Kinetiko Energy

Kinetiko Energy Limited (ASX: KKO) is an Australian gas explorer focused on advanced 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 CBM industry.

Kinetiko is an early mover in the region and is pursuing new gas projects that will help supply clean energy and create jobs.

Kinetiko has large South Africa potential exploration area of which 9,491Km² is granted and actively being explored. Kinetiko has applied for TCP 64 (Technical Co-operation Permit) over 2,394Km² 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 (100% owned) TCP areas to have Prospective resources of Gas In Place (GIP) of 9.3tcf (P₅₀). TCPs allow early evaluation and a unique right to apply for exploration licenses.

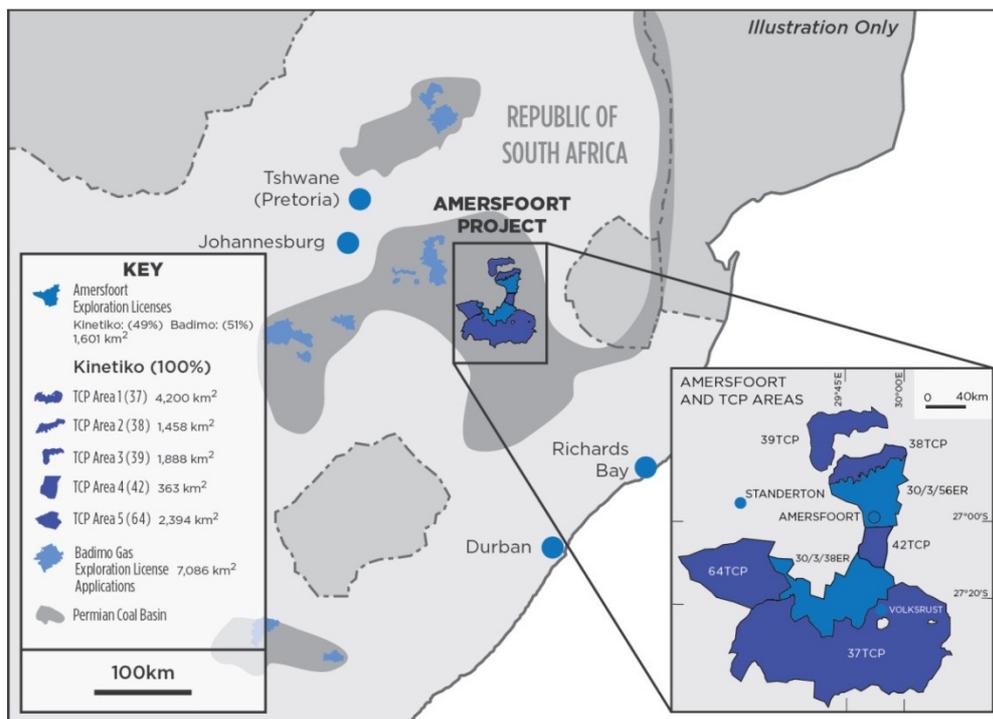


Figure 4: Kinetiko's land tenure potential in South Africa

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