KINETIKO ENERGY LTD

ABN 45 141 647 529

**Annual Report
for the Year Ended
30 June 2014**

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Corporate Directory

Directors
Adam Sierakowski
Dr James Searle
Geoffrey Michael

Company Secretary
Stephen Hewitt-Dutton

Public Officer
Geoffrey Michael

Principal Activity
Coal Bed Methane Exploration

Principal Place of Business
283 Rokeby Road
SUBIACO WA 6008

Registered Office
283 Rokeby Road
SUBIACO WA 6008

Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Stock Exchange Listing
Australian Securities Exchange
Home Exchange: Perth
Code: KKO

Share Registry
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Directors' Report

The directors of Kinetiko Energy Ltd ("the Company") submit herewith the financial report of the company for the financial year ended 30 June 2014. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

The names of the directors in office during the financial year and until the date of this report are:

Adam Sierakowski
Dr James Searle
Geoffrey Michael
Andrew Lambert – Resigned 2 May 2014

Information on Directors

Adam Sierakowski, Non-Executive Chairman
Mr Sierakowski is a lawyer and founding director of the legal firm Price Sierakowski. He has more than 20 years' experience in legal practice, much of which he has spent as a corporate lawyer consulting and advising on a range of transactions to a variety of large private and listed public entities. He has advised and guided many companies undertaking fundraising activities in Australia and seeking to list on the ASX.

As the co-founder of Trident Capital Mr Sierakowski has also advised a variety of public and private clients on structuring of their transactions and has been engaged in co-ordinating fundraising both domestically and overseas. Adam has vast experience in restructuring and mergers and acquisitions and has played a key role in the recapitalisation of many ASX -listed shells.

He is a member of the Australian Institute of Company Directors and the Association of Mining Exploration Companies.

Special responsibilities:
- None

Directorships held in other listed companies in the past 3 years:
- Narhex Life Sciences Limited, appointed 20 December 2013.
- My ATM Ltd, Non-Executive Director, appointed 23 July 2012.
- Coziron Resources Ltd, Executive Director, appointed 21 October 2010.
- Triangle Energy (Global) Ltd, Non-Executive Director, appointed 9 October 2009, resigned 5 October 2011.

Dr James Searle (B. Sc., PhD, MAusIMM, MAICD), Co-Managing Director
Dr Searle is a geologist with 35 years' experience in exploration, project management, project financing and development in both the minerals and energy industries. He has spent 20 years in Executive and Non-Executive capacities as a Director, Managing Director and Chairman of ASX-listed companies. He has led exploration and development teams for successful projects in Australia, Africa and Europe.

Dr Searle has a Bachelor of Science Honours degree in soft and hard rock geology, and a PhD from the University of Western Australia. He is a Member of the Australian Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors.

Special responsibilities:
- None

Directorships held in other listed companies in the past 3 years:
- Metaliko Resources Limited, Managing Director, appointed 20 February 2009, resigned 28 June 2012.

Directors' Report (cont)

Information on Directors (cont)

Geoffrey Michael (BA UWA), Co-Managing Director
Mr Michael has been an Executive Director of various companies, investment syndicates and enterprise start-ups across a range of asset classes for more than 20 years. His experience ranges from property development and investment to resources, mining services, civil engineering and contracting to information technology and hospitality. These activities have been carried out in Australia, Europe, Asia and Southern Africa. He has approximately three years continuous experience to date as a non-executive Director of ASX listed company Kinetiko Energy Ltd.

Special responsibilities:
- None

Directorships held in other listed companies in the past 3 years:
- Metaliko Resources Ltd, Non-Executive Director, appointed 28 July 2006, resigned 28 June 2012

Andrew Lambert (B.Sc. (Hons), MSc (Lon), MMgt (Fin)), Managing Director, Resigned 2 May 2014
Mr Lambert is a Geoscientist with more than 16 years' global experience in exploration, operations, business development and corporate advisory.

Mr Lambert's career began in petroleum exploration. He then worked as an iron ore exploration geologist, followed by a petroleum geophysicist role in MENA. He has worked in business development and corporate advisory roles with KPMG and PwC Strategy Consulting; where he focused on oil and gas (Upstream and Midstream) and mining in Australasia, the Middle East and the UK.

Andrew has a Bachelor of Science (Honours), Master of Science in Petroleum Exploration, Masters of Management and is an Australian Company Directors course graduate.

Special responsibilities:
- None

Directorships held in other listed companies in the past 3 years:
- Nil

Company Secretary

Stephen Hewitt-Dutton (B. Bus., CA, SAFin)
Mr Hewitt-Dutton has over 21 years of experience in corporate finance, accounting and company secretarial matters. He is an Associate Director of Trident Capital and holds a Bachelor of Business from Curtin University, is an affiliate of the Institute of Chartered Accountants and a Senior Associate of FinSIA.

Before joining Trident Capital, Mr Hewitt-Dutton was an Associate Director of Carmichael Corporate where he assisted clients by providing equity market, IPO and M&A advice and assistance. He has also held Financial Controller and Company Secretary positions for both public and private companies for in excess of 15 years.

Principal Activities
The principal activity of the Company during the financial year was coal bed methane exploration.

Operating Results
The net loss for the year ended 30 June 2014 after providing for income tax amounted to $1,785,528 (2013: $1,596,927).

Directors' Report (cont)

The directors of Kinetiko Energy Ltd ("the Company") submit herewith the operations report of the company for the financial year ended 30 June 2014.

Review of Operations

Executive Summary

Kinetiko is the operator of two gas licences, Exploration Right 56ER in the Amersfoort region and Exploration Right 38ER in the Volksrust area, both situated in the Mpumalanga Province of South Africa.

The projects are located in the heart of South Africa's energy infrastructure approximately 250km east of the Johannesburg, Pretoria and Vereeniging industrial hubs.

Mpumalanga is a highly-prospective area for Coal-Bed Methane (CBM) with well documented, gassy coal measures and gassy sandstones intervals overlying the coals.

US-based independent oil and gas consultant Gustavson Associates estimated the prospective gas resource in the Amersfoort Project i.e.

"Gas Initially in Place" (GIIP) at 2.4Tcf with a Contingent Resource estimate of 1.5Tcf[1].

Production test well drilling during the period under review continued to demonstrate widespread gas throughout the project areas in both coal and conventional sandstone accumulations.

Core drilling, down hole geophysical logging, coal desorption work and the pilot test wells drilled and flowed to date indicate widespread gas in coals and in the adjacent sandstones over almost all of the project area.

Kinetiko has now flared gas from six of eight production test wells drilled on Exploration Rights 56ER and 38ER (Figure 1). Gas from these wells commenced flowing either spontaneously or after de-watering began to lower the hydrostatic pressure above the gassy coal/sandstone intervals.

The two remaining wells initially failed due to ground conditions, which may be rectified as part of a future work-over program. All wells drilled remain closed pending well work-overs and broader area dewatering.

Highlights for the annual period July 2013 to June 2014 includes:

- **Three more pilot test wells were successfully completed, bringing the total for the project to eight.**

- **Two new test wells, KA-06PT and KA-03PT2 on the northern Exploration Right (56ER, Amersfoort) have both flared gas.**

- **6 out of 7 pilot test wells on 56ER have now flared gas.**

- **The first pilot test well was successfully drilled (KV-04PT) on the southern Exploration Right (38ER, Volksrust).**

- **Kinetiko entered into a Memorandum of Understanding to conclude a Joint Venture Agreement (JV) with White River Limited for Coal bed Methane exploration.**

[1] Kinetiko Energy is not aware of any factors that may materially affect the resource estimate at this time.

Directors' Report (cont)

Review of Operations (cont)

- **Interval Well Test Program - A review of the Amersfoort Project well testing data by external consultants indicated potential for improved well design to optimise gas production and minimise water co-production. The review further supports:**
  - **Kinetiko's finding that gas from test wells are mainly produced from sandstone intervals. Additional gas production can be expected once coal layers are appropriately depressurized; and**
  - **The concept of progressing to a 5-8 well pilot field development, initially producing conventional gas trapped in sandstones intrusions, before production from the coal seams.**

- **A high resolution aeromagnetic survey was successfully conducted over a 145 km^2 area within Exploration Right 56ER (Amersfoort):**
  - **A subsequent high resolution geophysical interpretation greatly enhanced geological and structural modelling which provided the basis for the next phase of test wells.**

- **The design of a 2-well pilot well program has been completed by external consultants. The design allows test gas flows from multiple gas charged zones in isolation;**
  - **A well test design, in support of the 2-well pilot well design, has been completed by external consultants;**
  - **The finalisation of commencement of the 2-well program drilling and testing program will be subject to regulatory approval and equipment availability; and**
  - **The 2-well drilling and testing program is expected to commence in by late in 2014.**

- **JJC Exploration Products was appointed as project management and technical consultants in South Africa.**

- **Kinetiko Energy has applied to receive the transfer of the remaining 51 percent interest currently held by Badimo Gas (Pty) Ltd.**

- **Kinetiko has appointed Standard bank of South Africa to advise on regulatory and funding issues relating to the Amersfoort Project.**

Technical

Exploration Right 56ER (Amersfoort)

Pilot test wells KA-03PT2 and KA06PT (Figure 1) were drilled in the northern part of Exploration Right 56ER. Well KA-03PT2 was completed to a depth of 458m and subsequently equipped with a down hole (ESPCP) pump, flow separation and flow control skid. A maximum casing pressure of 197 Psi was recorded at the wellhead during the initial built-up period.

After de-watering the well to approximately 54m above the pump level and at a well depth of 395.8m, water pumping was discontinued and the well opened to gas flaring. The well flowed spontaneously at 24,000 to 25,000Scfd with a constant water level recorded at about 195m above pump level for a period of seven days.

The spontaneous flow rates of Well KA-03PT2, with no water production and a static head of 195m of water, indicate substantial gas flows with further depressurisation.

Directors' Report (cont)

Review of Operations (cont)

Full flow testing of the well will require broad area de-watering with nearby wells acting in concert as a multi-spot test. A work over of the well may also be required to spot cement over discrete zones of water influx.

KA-03PT2 is located 330m from the pilot test well KA-03PT that flowed at previously reported rates of up to 350,000Scfd. Tandem operation of the two adjacent wells as a "two spot" test will be considered at a later date as a precursor to a multisport test.

Pilot test well KA-06PT was drilled to a depth of 369m in a location close to a core hole (KA-06), which spontaneously emitted gas after drilling.

Gas also flowed spontaneously from KA-06PT prior to de-watering of the well. The well was subsequently operated with water pumping for a test period of 12 days resulting in flow rates of around 10,000Scfd.

Full water depressurisation could not be achieved at this time. Shut in pressures indicate a reservoir pressure in excess of 232 Psi, which encourages consideration for further drilling in this locality. As for Well KA-03PT2, full flow testing will require de-watering in a multi-spot test.

Directors' Report (cont)

Review of Operations (cont)

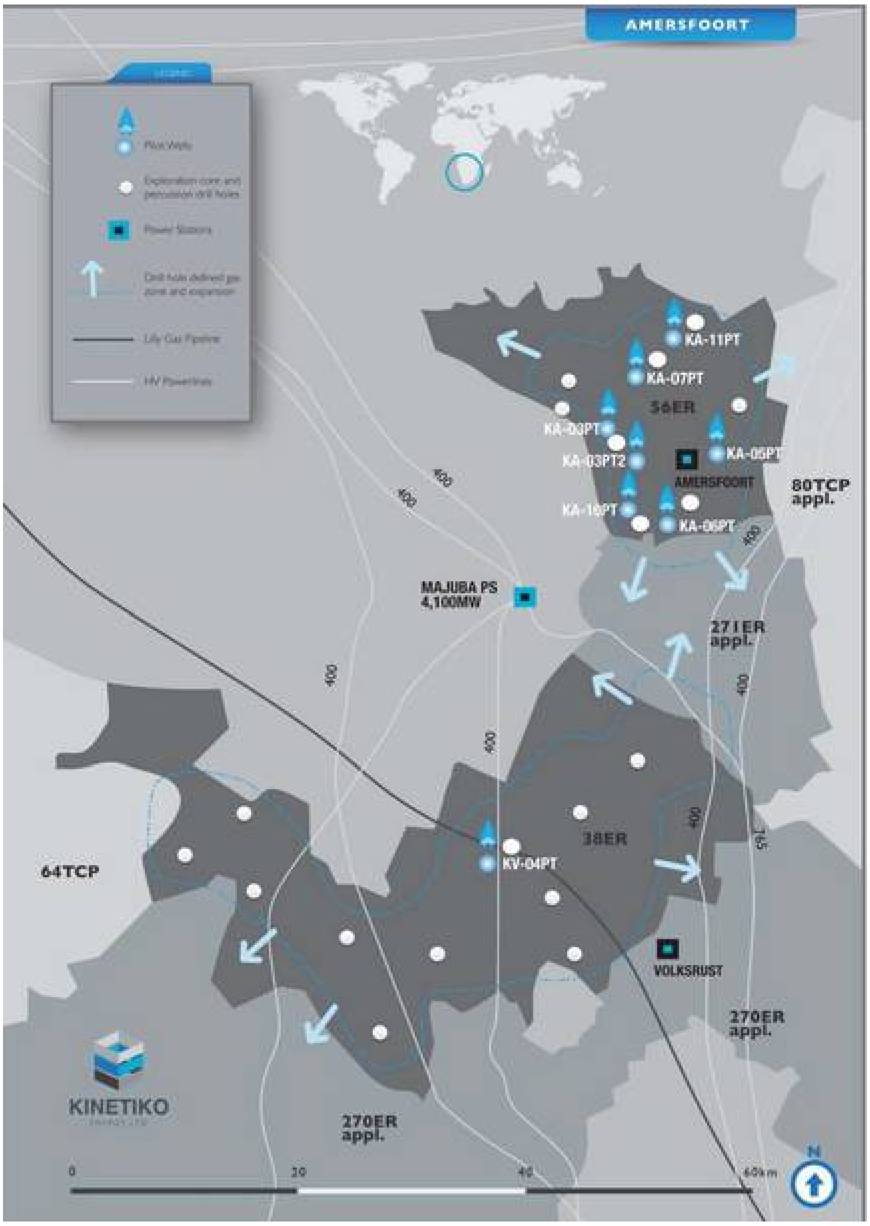

Figure 1 – Pilot test wells and core drilling in 56ER and 38ERAmersfoort Project.

Exploration Right 38ER (Volksrust)

Kinetiko completed the first pilot test well in Exploration Right 38ER (Volksrust) (Figure 1). This was the third pilot test well of the three-well drilling program for the period under review and the eighth to be drilled across the Amersfoort Project.

Kinetiko has drilled a total of 11 exploration core wells in Exploration Right 38ER. Core samples and down hole geophysical logs indicated gas in both coal and conventional accumulations in the adjacent sandstones over an area of 690km^2. The coal measures and gassy sandstones are typically at depths of 400-500m+ below surface in 38ER as compared to 350-400m depth on 56ER. Consequently higher gas contents and pressures are predicted for Volksrust.

Directors' Report (cont)

Review of Operations (cont)

The pilot test well KV-04PT was drilled to 560m and intersected target coals and sandstone intervals. The well was located close to core hole KV-04C, which intersected gassy coal at a depth of 430m. Down-hole geophysical logs showed strong gas crossovers in the sandstones above and below the coals.

Following rigging of water pump and surface equipment, pumping produced water with entrained gas but failed to significantly lower the water level and depressurise the target zones. This appears to be a result of water influx immediately below the casing shoe. Cementation or casing of the influx zone during a work over will be required before the well can be flow tested.

Memorandum of Understanding with White River Limited

Kinetiko entered into an MOU to conclude a joint venture (JV) agreement with White Rivers Limited. The MOU is legally binding for six months to enable the parties to enter into a joint venture to explore for CBM and other unconventional and conventional oil and gas opportunities.

White Rivers Ltd is a South African company with extensive coal and gold holdings in South Africa. It is a certified BEE (Black Economic Empowerment) entity. White Rivers holds coal exploration rights underlying the onshore gas TCPs subject to this JV agreement.

As JV operator, Kinetiko looks forward to working closely with the technical management of White Rivers to maximise the benefits from applying an extensive data base and knowledge of coal geology in the area to methane gas exploration.

The White Rivers TCPs are located in the Free State and Vereeniging Sasolburg Coalfields (Figure 2). The Ventersburg and Kroonstad TCPs are located in the Free State gas field where widespread gas occurrences are known from coal and mineral exploration drilling.

The Heilbron TCP is located adjacent to the Smaldeel area where helium has been commercially produced in the past. Significant comingled methane flows were flared.

The helium is thought to be derived originally from radioactive uranium decay in the Proterozoic Witwatersrand sediments underlying the Karoo Basin. The methane is derived from the extensive Karoo coal measures. The helium has then migrated upwards into the Karoo methane gas traps.

As with Kinetiko's Amersfoort project it is also expected that coal derived methane will be found in conventional sandstone reservoirs within the Karoo sandstones that host the coals.

TCPs enable the holder to access available data held by government agencies for desk top studies. A TCP confers the unique right to convert the area to an Exploration Right (ER). The Heilbron and Kroonstad TCPs have been granted whilst the Ventersburg application has been accepted and should be granted in due course.

Directors' Report (cont)

Review of Operations (cont)

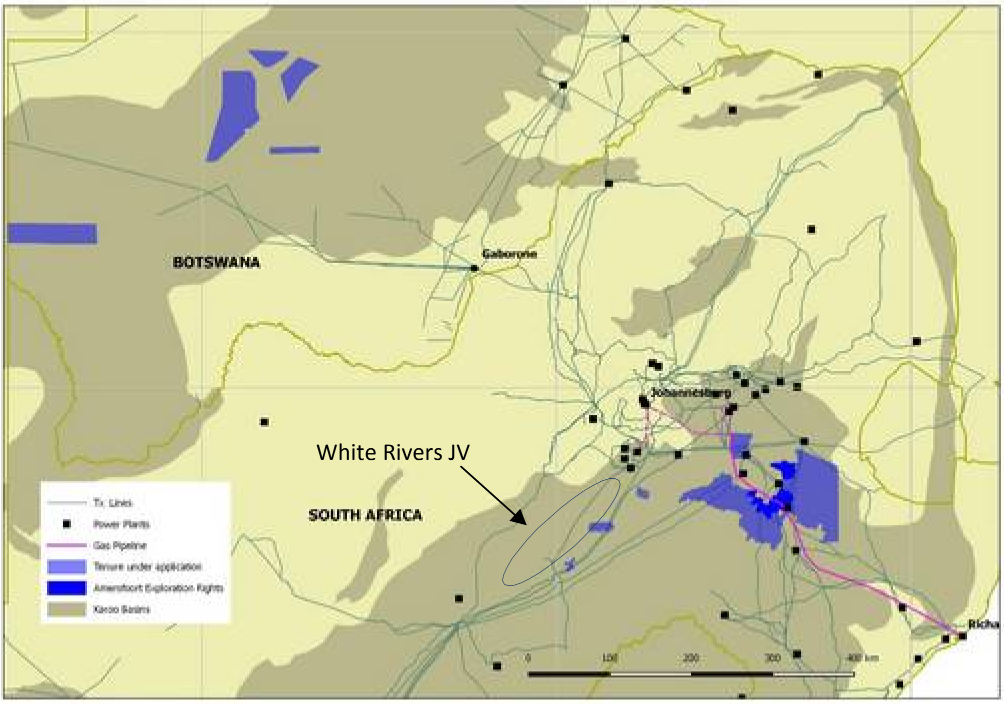

Figure 2 Location of the Kinetiko-White Rivers JV

Figure 2 illustrate the Ventersburg, Kroonstad and Heilbron TCPs in relation to the extensive tenure already held or applied for by Kinetiko Energy Ltd in the vicinity.

Interval Well Test Program

General Petroleum Oil Tools (GPOT) of Brisbane completed a review of the 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 de-pressurisation of the coals to fully release their known gas content has not yet been achieved;
- ❖ The open hole "barefoot" completion design of the test wells to date, whilst 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 a separate evaluation from the coal seam gas resource;

Directors' Report (cont)

Review of Operations (cont)

- 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 gas reserves in the sandstones and progression thereof to production is likely to be cheaper and quicker than definition of reserves and progression to gas production from the coals; and

- The potential for initial field development based on gas in the sandstones should be investigated as this would assist in the subsequent development of gas production from the coal.

Following a review of work completed to date on the Amersfoort Project by GPOT it was concluded that the next stage of evaluation of the demonstrated widespread gas distribution in sandstones and coals was to undertake interval well tests.

A program of two wells has been designed by GPOT that will test, in isolation, multiple gas charged zones in the sandstones sequences above and below the coal seams. The wells are also being designed to enable separate testing of the coal seams.

The open hole "barefoot" completion design of 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.

While stabilized flows of up to 325,000scf/day (KA-03PT) were achieved by this method it is clear that consistent minimized water production and maximised gas flows, down hole engineering has to allow for more selective production zones.

The proposed 2-well program has been designed to allow isolated testing of different intervals of the 60 to 80m (total) thickness gas prone zones, which will enable an optimal production well format. The interval test wells are likely to be sited about 1km apart and 1km from the previously operated test well KA-03PT. The proposed well testing program involves simultaneous flow testing from all 3 wells.

Data from the proposed testing program coupled with the enhanced geological modelling derived from the geophysical interpretation will form the basis for initial reserve modelling in the vicinity.

This interval testing program is a precursor to the development and operation of a 5-8 well pilot field development. The design of the interval test well will accommodate their potential re-designation as component production wells in the pilot field.

Subject to the availability of drilling equipment and regulatory approval the interval test wells is planned to commencement in the Q4/2014. Completion of the wells and the flow testing program is scheduled for completion by early 2015. An indicative work schedule for the 2014/15 period is included as Figure 3.

Directors' Report (cont)

Review of Operations (cont)

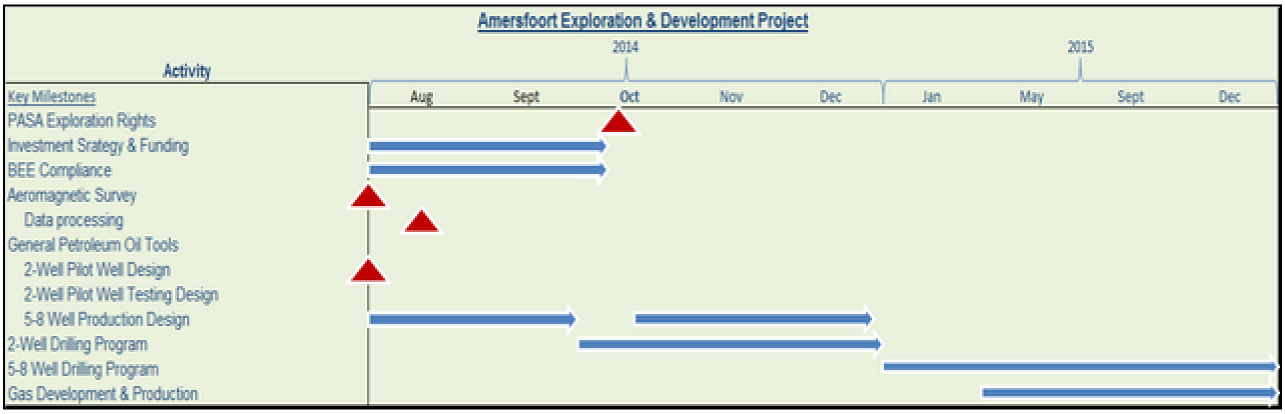

Figure 3

High Resolution Aeromagnetic Survey and Data Interpretation

A 3,555 line kilometre high-resolution aeromagnetic survey was flown in April 2014 over an area of 145km^2 of the Amersfoort Project area.

The survey covered an area within which Kinetiko is considering a pilot field development of a number of linked production test wells. The objective was to provide detailed geological data essential for the optimal placement of production wells and for more informed reserve calculations.

The survey was flown and processed by Xcalibur Airborne Geophysics of Pretoria.

Processing and interpretation of the data has revealed unprecedented levels of geological detail in the survey area (Figures 6, 7 and 8) including the extensive dolerite sills that form seals over the gas prone sandstones above the already gassy coal measures.

The magnetic contrasts between the intrusive dolerite sills and dykes and the Karoo Basin sediments has been captured in revealing images that will guide the design of ongoing well placement and ultimately the optimal design and development of the gas field.

The enhanced geological information will also greatly assist reservoir definition and reserve calculations. The survey utilized a specialized fixed wing aircraft with wing-tip magnetic sensors capable of safely flying at very low terrain.

The sensors at each wingtip provided a large baseline for radiometric analysis of the magnetic signal, resulting in enhanced interpolation between flight lines and in Horizontal Gradient Enhanced (HGE) gridding processes.

Directors' Report (cont)

Review of Operations (cont)

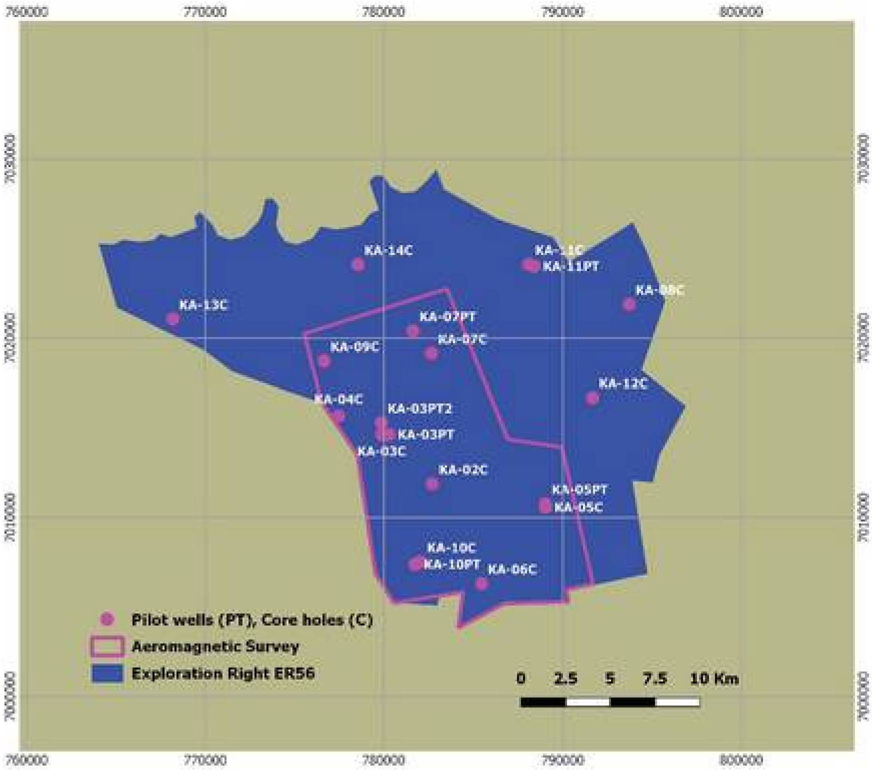

Figure 4 Aeromagnetic survey area on Exploration Right ER56 Amersfoort

Figure 5 Amersfoort Aeromagnetic Survey in progress April 2014

Directors' Report (cont)

Review of Operations (cont)

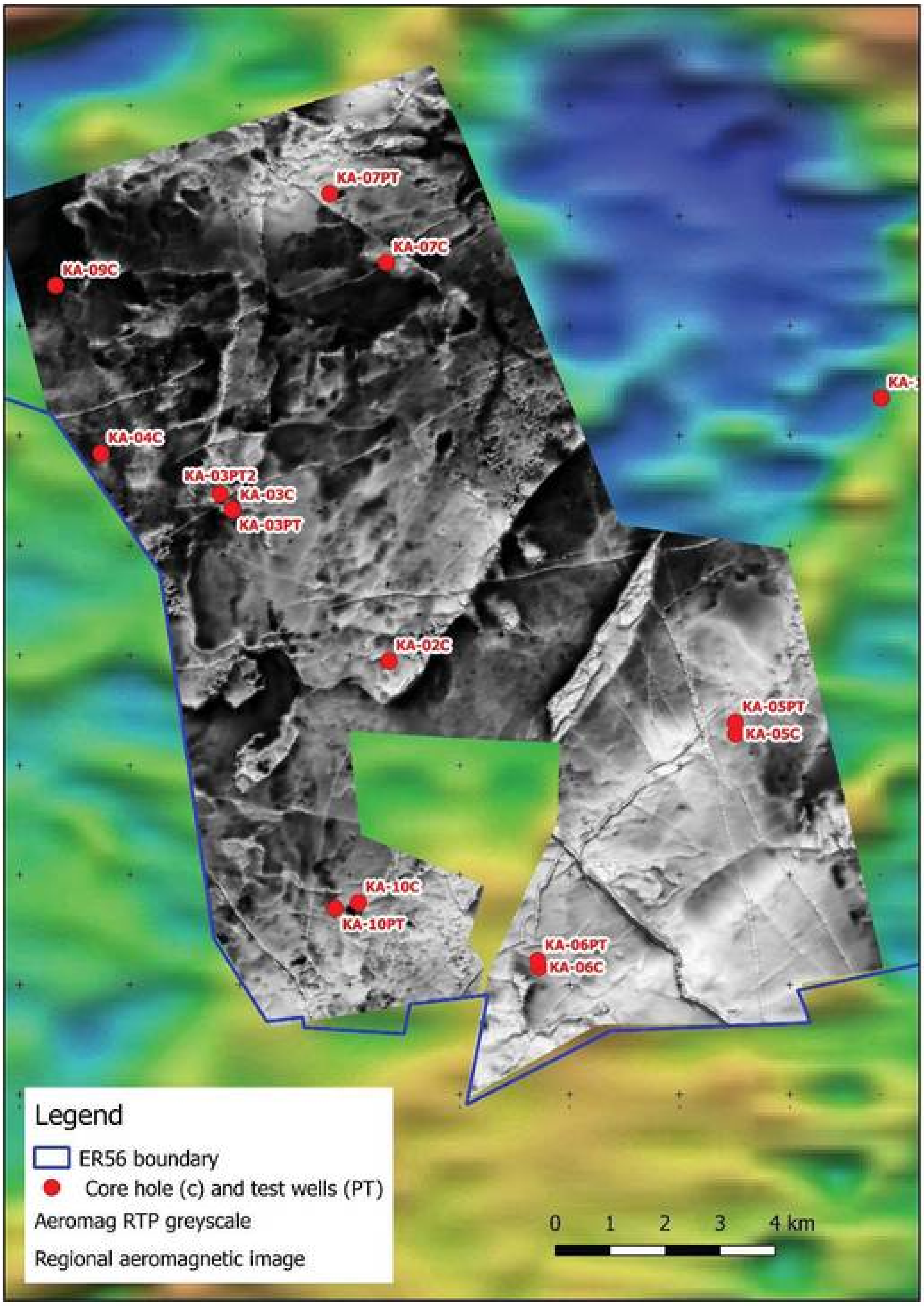

Figure 6 Greyscale VD1 image of Aeromagnetic Data - Amersfoort Project.

Directors' Report (cont)

Review of Operations (cont)

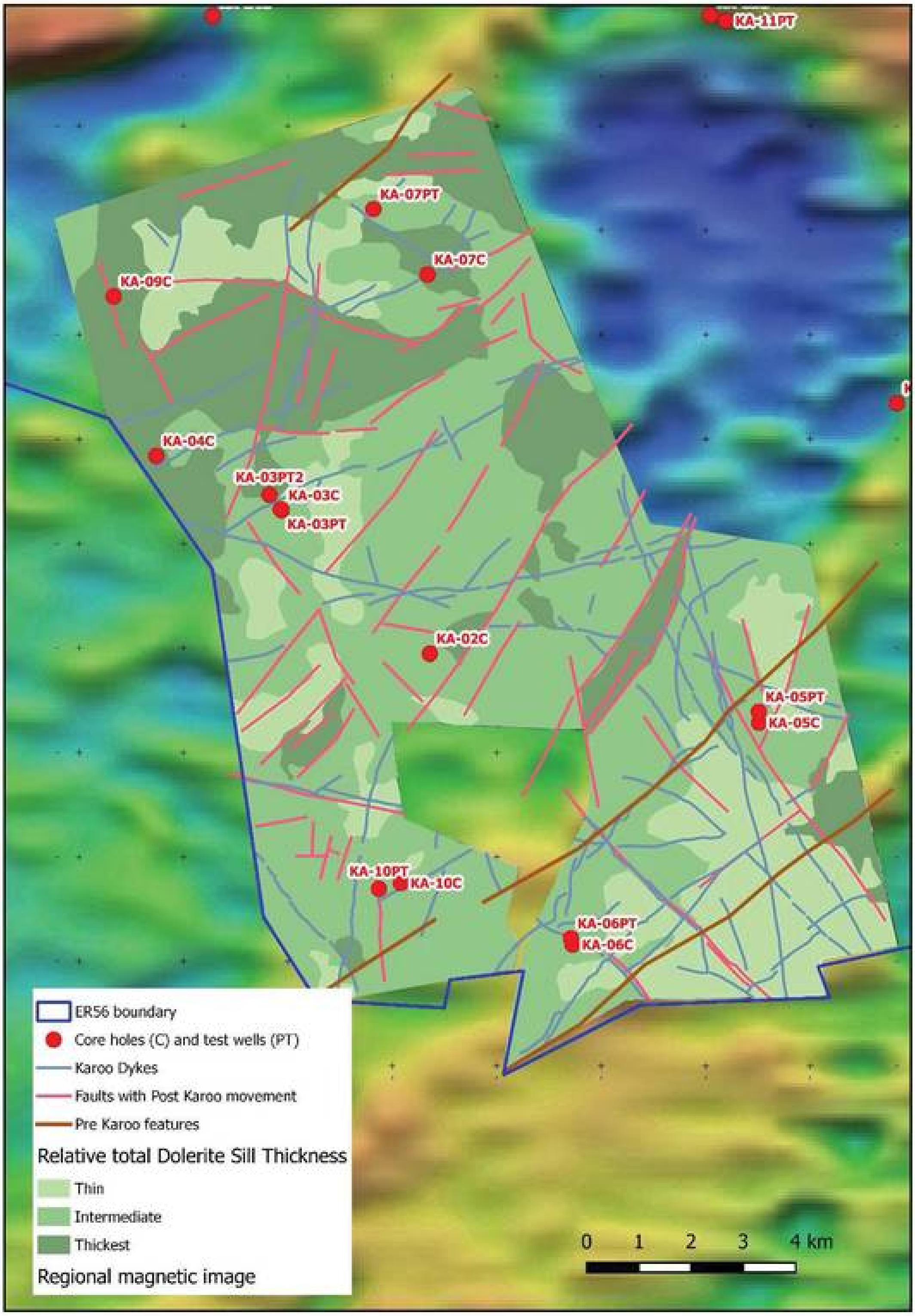

Figure 7 Relative Thickness of Dolerite Sills, Karoo dykes, Post Karoo faults, and pre Karoo features.

Directors' Report (cont)

Review of Operations (cont)

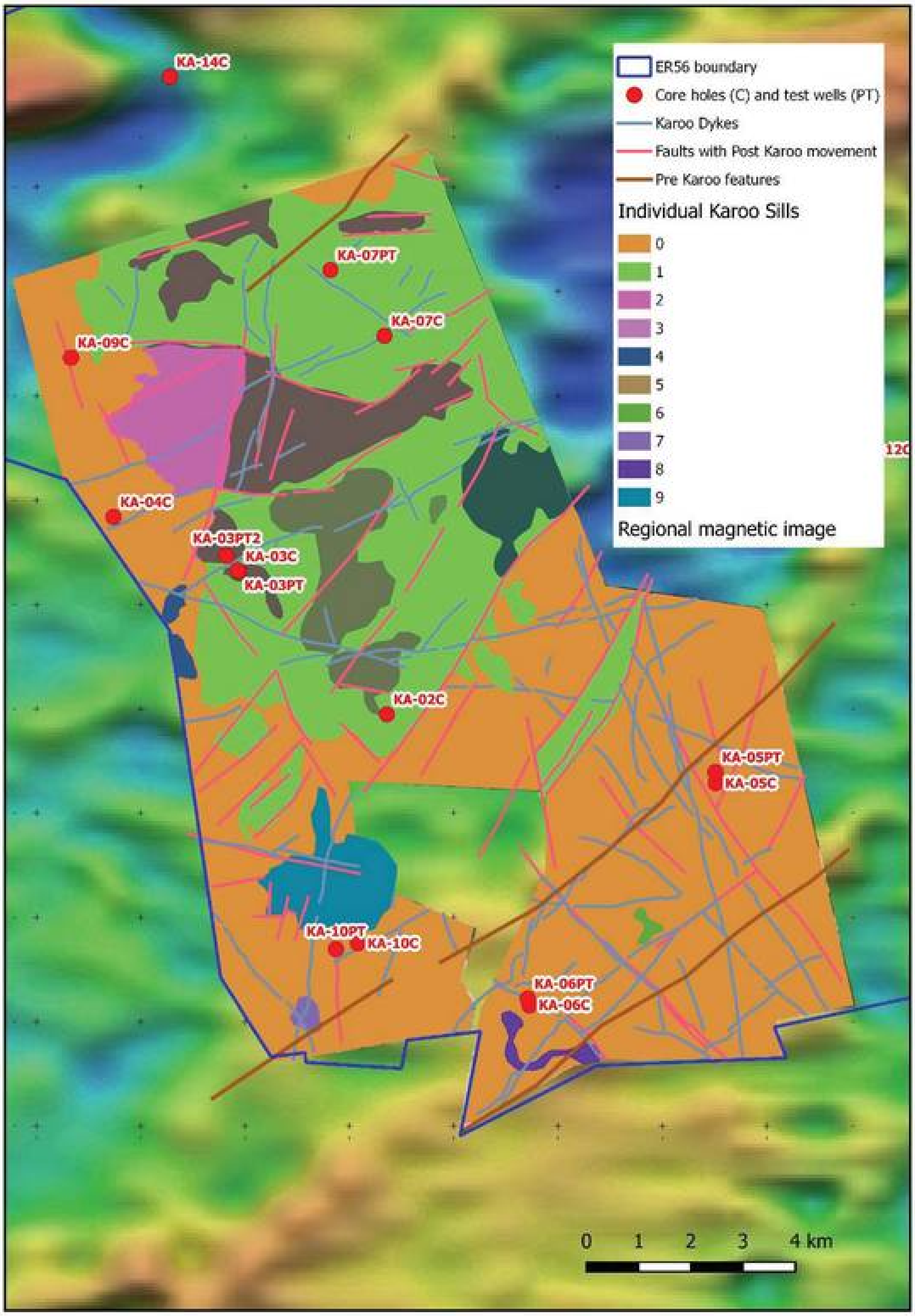

Figure 8 Interpretation of Individual Dolerite Sill and Structures.

Directors' Report (cont)

Review of Operations (cont)

Maintenance Program

Maintenance of plant and equipment are ongoing whilst rehabilitation of well sites KA-03PT, KA-03PT2 and KA-11PT has been completed.

Figure 9

Figure 10

Directors' Report (cont)

Review of Operations (cont)

Corporate

Badimo Gas (Pty) Ltd

Under the terms and conditions of the Amersfoort Joint Venture Operating Agreement ("JOA"), Badimo Gas (Pty) Ltd ("Badimo") was issued with a withdrawal notice to exit Exploration Rights 30/5/2/3/38 and 30/5/2/3/56.

Under the terms of such notice Badimo is deemed to have transferred its 51% participating interest to Kinetiko Energy Ltd ("Kinetiko"). Subject to compliance with South African regulatory requirements and approvals giving effect to such transfer, Kinetiko will hold a 100% participating interest in the Amersfoort Exploration Rights.

Tenure

Area of Interest	Tenure reference	Nature of Interest	Interest
Amersfoort Project South Africa	30/5/2/3/38ER	Direct Participation Interest	49%[2]
	30/5/2/3/38ER	Direct Participation Interest	49%[3]

Technical and Management Consultants

JJC Exploration Products, an experienced group that provide oil and gas technical and commercial services to the oil and gas industry in Southern Africa has been appointed as consultants to provide project management and technical services for Kinetiko's South African operations on a non – exclusive contractual basis.

Advisory Consultants

Kinetiko Energy has signed a mandate with Standard Bank of South Africa appointing Standard Bank to advice on regulatory and funding issues relating to the Amersfoort Project, including commercialisation, gas market development, regulatory matters and stakeholder support. Standard Bank of South Africa's oil and gas team, based in Johannesburg, will assist Kinetiko with special regard to:

- Working to introduce strategic South African funding partners and provide stakeholder support;
- Liaising with Government and regulatory bodies;
- Commercialisation models and strategies; and
- Gas market assessment and off take opportunities

Standard Bank of South Africa is one of the largest financial institutions in South Africa and operates in 32 countries around the world including 19 African countries.

[2] Kinetiko Energy has applied to receive the transfer of the remaining 51% interest in these exploration rights. The application remains subject to compliance with South African regulatory requirements and necessary approvals giving effect to such transfer.
[3] Kinetiko Energy has applied to receive the transfer of the remaining 51% interest in these exploration rights. The application remains subject to compliance with South African regulatory requirements and necessary approvals giving effect to such transfer.

Directors' Report (cont)

Review of Operations (cont)

Standard Bank's Oil and Gas Division has extensive experience in up and downstream oil and gas matters and in managing African risk issues.

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.

Appendix 1 Resource Statement previously reported to the ASX 13th August 2012

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 Amersfoort Project.

The estimated quantities of gas that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Resource Statement 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 previously consented in writing to the use of their resource estimates in the form that it appears here.

Directors' Report (cont)

Significant Changes in State of Affairs

Significant changes in the state of affairs of the Company during the financial year were as follows:

- The Company received approximately $1.1 million in July 2013, from Badimo Gas (Pty) Ltd, representing cash calls issued up to the end of May 2013 in respect of their 51% share of exploration expenditure on the project.
- On 21 July 2013, 50,300,000 fully paid ordinary shares were released from Escrow.
- In December 2013, the Company raised approximately $1.7 million through the placement of 11.34 million ordinary shares at 15 cents each. The placement was to fund the Company's exploration and technical studies of the Amersfoort Project (49% KKO interest) and additional working capital for other exploration asset assessment.
- On 23 January 2014, following a strategic review of Kinetiko's business needs which envisages relocating the Managing Director role to South Africa, the employment contract with Mr Andrew Lambert was terminated. Mr Lambert remained as a Director of the Company until his resignation on 2 May 2014.
- The Company signed a Memorandum of Understanding ('MOU') with White Rivers Exploration Pty Ltd on 24 January 2014 to enter into a Joint Venture over gas tenure in the Karoo Basin coalfields of South Africa.
- In early March 2014, the Company received VAT refunds for the amount of ZAR2.844 million (approximately $295,000) relating to its exploration expenditure in South Africa.
- On 28 April 2014, 4,000,000 unlisted options exercisable at 20 cents were issued to Argonaut Limited in accordance with the advisory mandate.
- In June 2014, the Company applied to the Petroleum Agency SA to transfer the 51% participating interest held by Badimo Gas (Pty) Ltd to the Company as a result of Badimo's failure to meet cash calls despite default notices issued by the Company. The Company has exercised its option under the Joint Operating Agreement to have Badimo withdraw from the Amersfoort Project and pursuant to the issue of the withdrawal notice Badimo is deemed to have transferred its 51% participating interest in and under the Amersfoort Project to the Company.

  Correspondence with the Petroleum Agency SA continues and subject to compliance with South African regulatory requirements and approvals for giving effect to such transfer, the Company will hold a 100% participating interest in the Amersfoort Project.

Matters subsequent to the end of the financial year

No matters or circumstance has arisen since 30 June 2014 that has affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations

As Kinetiko Energy Ltd is listed on the Australian Stock Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Kinetiko Energy Ltd securities.

Directors' Report (cont)

Dividends Paid or Recommended

No dividends were paid during the financial year and no recommendation is made as to payments of future dividends.

Meetings of Directors

During the financial year, 7 meetings of Directors were held. Attendances by each director were as follows:

	Number eligible to attend	Number Attended
Adam Sierakowski	7	6
Dr James Searle	7	7
Geoffrey Michael	7	7
Andrew Lambert (resigned 2 May 2014)	5	4

Directors' Shareholdings

As at the date of this report the interests of the directors in the shares of the Company were:

Director	**Ordinary Shares**
Adam Sierakowski	9,391,250
Dr James Searle	10,775,000
Geoffrey Michael	21,550,000

Share Options

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Date of Grant	**Expiry date**	**Exercise price of Options**	**Number under Options**
25 October 2012	30 June 2015	$0.50	750,000
25 October 2012	30 June 2016	$0.75	1,000,000
28 April 2014	28 April 2017	$0.20	4,000,000
			5,750,000

On 30 June 2014, 500,000 of the 2,250,000 unlisted incentive options previously issued to Andrew Lambert in accordance with his employment agreement lapsed.

Remuneration Report (Audited)

The directors are pleased to present Kinetiko Energy Ltd's 2014 remuneration report which sets out remuneration information for the company's non-executive directors, managing director and other key management personnel.

Directors' Report (cont)

Remuneration Report (cont)

The report contains the following sections:

(a) Principals used to determine the nature and amount of remuneration
(b) Compensation of key management personnel
(c) Services agreements
(d) Shareholdings of key management personnel
(e) Options on issue
(f) Loans to key management personnel
(g) Other transactions with key management personnel
(h) Use of remuneration consultants
(i) Voting and comments made at the Company's 2013 Annual General Meeting

The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

(a) Principles used to determine the nature and amount of remuneration

The remuneration policy of Kinetiko Energy Ltd has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The board of Kinetiko Energy Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes or Binomial methodologies.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting (currently $250,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans.

Directors' Report (cont)

Remuneration Report (cont)

(a) Principles used to determine the nature and amount of remuneration (cont)

The objective of the Company's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The board ensures that executive reward satisfies the following criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

Directors' fees

A director may be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Performance based remuneration

The Managing Director has been granted long term incentives by way of performance rights and options, which vest after certain predetermined periods of service. Details of these incentives are contained at *Terminated Agreements* of paragraph (c) below.

During the year ended 30 June 2014, no performance based remuneration was paid to the Managing Director.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This is facilitated through the issue of options or performance rights to Directors and Executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced.

Remuneration governance

The Company has not formed a remuneration committee. The role of a remuneration committee is instead carried out by the full Board in accordance with the Nomination and Remuneration Committee charter. The Corporate Governance statement provides further information on the role of this committee.

(b) Compensation of key management personnel

The key management personnel of the Company are the Directors and the Company Secretary. There are no executives, other than Directors and the Company Secretary, who have the authority and responsibility for planning, directing and controlling the activities of the Company.

Directors' Report (cont)

Remuneration Report (cont)

(b) Compensation of key management personnel (cont)

Name of Director

Adam Sierakowski	Non-Executive Chairman
Andrew Lambert	Managing Director (until 23 January 2014)
Dr. James Searle	Non-Executive Director and Co-Managing Director (since 23 January 2014)
Geoffrey Michael	Non-Executive Director and Co-Managing Director (since 23 January 2014)

Company Secretary
Stephen Hewitt-Dutton

The emoluments for each director and key management personnel of the Company for the year ended 30 June 2014 are as follows:

Year ended 30 June 2014	**Short-term**				**Post employment**	**Total**	**Remuneration consisting of rights & options**
	Salary & Fees	*Profit Share & Bonuses*	*Non Cash*	*Share Based Payments*	*Superannuation*		
	$	*$*	*$*	*$*	*$*	*$*	%
Directors							
A Sierakowski	72,000	-	3,225	-	-	75,225	-
Dr J Searle	167,840	-	3,225	-	-	171,065	-
G Michael	204,622	-	3,225	-	-	207,847	-
A Lambert	250,000	-	3,225	16,928	18,189	288,342	6
Company Secretary							
S Hewitt-Dutton	48,533	-	-	-	-	48,533	-
	742,995	-	12,900	16,928	18,189	791,012	6

The emoluments for each director and key management personnel of the Company for the year ended 30 June 2013 are as follows:

Year ended 30 June 2013	**Short-term**				**Post employment**	**Total**	**Remuneration consisting of rights & options**
	Salary & Fees	*Profit Share & Bonuses*	*Non Cash*	*Share Based Payments*	*Superannuation*		
	$	*$*	*$*	*$*	*$*	*$*	%
Directors							
A Sierakowski	72,000	-	-	-	-	72,000	-
Dr J Searle	225,840	-	-	-	-	225,840	-
G Michael	206,838	-	-	-	-	206,838	-
A Lambert	250,000	50,000	-	37,510	25,615	363,125	10
Company Secretary							
S Hewitt-Dutton	48,000	-	-	-	-	48,000	-
	802,678	50,000	-	37,510	25,615	915,803	10

Directors' Report (cont)

Remuneration Report (cont)

(c) Service agreements

The agreements related to remuneration are set out below:

Current Agreements

(i) The Company has entered into a service agreement with Ageus Pty Ltd, a Company in which Geoffrey Michael has an interest, for the provision of business consultancy services. The Company has agreed to pay a base remuneration of $10,000 per month ($120,000 per annum), and any additional payments for hours of services performed over and above the required minimum. The agreement further provides for payments of capital raising fees equal to 6% of the funds introduced and raised directly by Ageus for any future capital raisings undertaken by the Company. The term of the agreement is for a period of 18 months commencing on 1 July 2013 and shall terminate after the initial term. Payment of termination benefit on early termination by the Company, other than by gross misconduct, equal to 12 months of remuneration. Ageus Pty Ltd is also entitled to a monthly director's fee of $5,000.

(ii) The Company has entered into a service agreement with Trident Capital Pty Ltd, a Company in which Mr Sierakowski is a Director and shareholder, whereby the Company has agreed to pay Trident Capital Pty Ltd $10,000 per month ($120,000 per annum) for the provision of corporate advisory services, plus capital raising fees of 6% of the funds raised directly by Trident Capital Pty Ltd during the period. The agreement allows for the monthly fee to be increased or extended by mutual agreement between both parties. The term of the agreement is for a period of 12 months commencing 1 June 2012 and shall renew automatically for successive 12 month periods unless either party gives the other party at least 30 days prior written notice of its intention not to renew the agreement. The agreement further provides for additional payments in the event of domestic and international travel being required at a day rate of $2,500 per day, and payments of capital raising fees equal to 6% of the funds raised directly by the Trident group for any future capital raisings undertaken by the Company and a facilitation fee of 5% on the value of any asset acquired by the Company that is introduced by Trident without the assistance of Kinetiko.

In addition, Trident receives $6,000 per month for Mr Sierakowski's services as Non-Executive Chairman, and $4,000 per month for Mr Hewitt-Dutton's services as Company Secretary.

(iii) The Company has entered into a service agreement with Dr James Searle, whereby the Company has agreed to pay Earthsciences Pty Ltd, a Company controlled by Dr James Searle, a daily rate of $1,200 per day, including statutory entitlements, payable monthly in arrears. The term of the original agreement was for 36 months commencing 22 July 2010. The term of the agreement was subsequently revised to 12 months effective 26 May 2011 and shall renew automatically for successive 12 month periods unless either party gives the other party at least 30 days prior written notice of its intention not to renew the agreement. Earthsciences Pty Ltd is also entitled to a monthly director's fee of $5,000.

Terminated Agreements

(i) The Company had entered into an employment agreement with Andrew Lambert, whereby the base remuneration, exclusive of superannuation entitlements, for services provided by Mr Lambert as the Managing Director of the Company was $250,000 per annum. Mr Lambert was also granted incentive options and performance rights in September 2012, of which the total fair value of $322,500 has been amortised over the respective vesting periods. The term of the employment agreement commenced on 1 June 2011 and continued until termination in accordance with the termination provisions of the agreement. Mr Lambert's employment agreement was terminated on 23 January 2014.

Directors' Report (cont)

Remuneration Report (cont)

(d) Shareholdings of key management personnel

2014	Balance at 01/07/13 No.	Shares Purchased No.	Shares Transferred In No.	Shares Disposed No.	Balance Held at Resignation No.	Balance at 30/06/14 No.
Directors						
A Sierakowski	9,945,000	395,000	-	(948,750)	-	9,391,250
Dr J Searle	10,650,000	125,000	-	-	-	10,775,000
G Michael	21,550,000	-	-	-	-	21,550,000
A Lambert	1,000,000	-	-	(500,000)	(500,000)	-
Company Secretary						
S Hewitt-Dutton	50,000	-	172,500	-	-	222,500
	43,195,000	520,000	172,500	(1,448,750)	(500,000)	41,938,750

2013	Balance at 01/07/12 No.	Shares Purchased No.	Shares Issued No.	Shares Disposed No.	Balance at 30/06/13 No.
Directors					
A Sierakowski	9,870,000	75,000	-	-	9,945,000
Dr J Searle	10,500,000	150,000	-	-	10,650,000
G Michael	21,400,000	150,000	-	-	21,550,000
A Lambert	-	-	1,000,000	-	1,000,000
Company Secretary					
S Hewitt-Dutton	50,000	-	-	-	50,000
	41,820,000	375,000	1,000,000	-	43,195,000

(e) Options on issue

2014	Balance at 01/07/13 No.	Options Purchased No.	Options Disposed No.	Options Expired No.	Balance Held at Resignation No.	Balance at 30/06/14 No.
Directors						
A Sierakowski	-	-	-	-	-	-
Dr J Searle	-	-	-	-	-	-
G Michael	-	-	-	-	-	-
A Lambert	2,250,000	-	-	-	(2,250,000)	-
Company Secretary						
S Hewitt-Dutton	-	-	-	-	-	-
	2,250,000	-	-	-	(2,250,000)	-

Directors' Report (cont)

Remuneration Report (cont)

(e) Options on issue (cont)

2013	Balance at 01/07/12 No.	Options Purchased No.	Options Disposed No.	Options Issued No.	Options Expired No.	Balance at 30/06/13 No.
Directors						
A Sierakowski	-	-	-	-	-	-
Dr J Searle	-	-	-	-	-	-
G Michael	-	-	-	-	-	-
A Lambert	-	-	-	2,250,000	-	2,250,000
Company Secretary						
S Hewitt-Dutton	-	-	-	-	-	-
	-	-	-	2,250,000	-	2,250,000

(f) Loans to key management personnel

No loans existed during the year and as at reporting date between the company and with key management personnel.

(g) Other transactions with key management personnel

Transactions with key management personnel related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

		2014 $	2013 $
(i)	Payments to Trident Management Services Pty Ltd, an entity in which Adam Sierakowski is a Director and shareholder, for company secretarial services provided.	48,533	48,000
(ii)	Payments to Price Sierakowski Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, for legal services provided.	19,386	48,000
(iii)	Payments made to Trident Capital Pty Ltd, a Company of which Adam Sierakowski is a Director, for the provision of corporate advisory services and capital raising fees.	160,274	167,500
(iv)	Payments to Cirrena Pty Ltd, a Company of which G Michael is a Director, for the provision of IT consulting services.	27,915	9,225
	<u>Amounts outstanding at reporting date</u> Aggregates amount payable to Key Management Personnel and their related entities at reporting date.		
(i)	Payables	35,302	57,316

Directors' Report (cont)

Remuneration Report (cont)

(h) Use of remuneration consultants

The Company did not employ the services of remuneration consultants during the financial year.

(i) Voting and comments made at the Company's 2013 Annual General Meeting

The approval of the remuneration report was passed as indicated in the results of Annual General Meeting dated 21 November 2013. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

The Company received more than 95% of "Yes" votes on its resolution to re-elect Adam Sierakowski as a Director.

End of audited remuneration report

Indemnification of Officers and Auditors

The Company paid a premium in respect of a contract of insurance insuring the Directors and officers of the Company against certain liabilities specified in the contract, for the financial year. The contract prohibits disclosure of the nature of the liabilities insured and the amount of the premium.

Non-Audit Services

The Company may decide to employ the auditors on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor or a related practice of the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

No non-audit services have been provided by the Company's auditors in the year ended 30 June 2014. Remuneration paid to the Company's auditors is detailed in Note 13 of this report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in this Financial Report on page 29.

Details of amounts paid or payable to the auditor, BDO Audit (WA) Pty Ltd, for audit and non-audit services provided during the financial year are set out in Note 13 to the financial statements.

Environmental Regulations

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

Directors' Report (cont)

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

Signed in accordance with a resolution of the Board of Directors:

DIRECTOR

Dated at Perth, 30 September 2014

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Fax: +61 8 6382 4601
www.bdo.com.au

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PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY PETER TOLL ENGAGEMENT PARTNER TO THE DIRECTORS OF KINETIKO ENERGY LIMITED

As lead auditor of Kinetiko Energy Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2014

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INDEPENDENT AUDITOR'S REPORT

To the members of Kinetiko Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Kinetiko Energy Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kinetiko Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Kinetiko Energy Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies *with International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the ability of the company to continue as a going concern is dependent upon the future successful raising of necessary funding through equity and successful exploration and subsequent exploitation of the company's tenements. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Kinetiko Energy Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll

Director

Perth, 30 September 2014

Directors' Declaration

The directors of the company declare that:

a) The financial statements and notes, as set out on pages 33 to 62 comply with Accounting Standards and the Corporations Act 2001 and other mandatory professional reporting requirements;

b) gives a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended to 30 June 2014; and

c) in the Directors' opinion, the financial statements and notes are prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the International Accounting Standards Board.

In the Directors' opinion:

(i) At the date of the declaration there are reasonable grounds to believe that the Company will be able to pay its debts as when they become due and payable; and

(ii) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act for the financial year ending 30 June 2014.

This declaration is made in accordance with a resolution of the Board of Directors.

DIRECTOR

Dated at Perth, 30 September 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 $	30 June 2013 $
Revenue			
Revenue from ordinary activities	**2(a)**	80,109	130,962
Total Revenue		80,109	130,962
Expenses			
Depreciation	**2(b)**	(63,122)	(53,977)
Administration expenses		(234,432)	(256,382)
Consultancy and professional costs	**2(c)**	(343,466)	(383,021)
Employment and contractor expenses		(725,522)	(714,680)
Travel expenses		(206,063)	(171,270)
Occupancy expenses		(74,104)	(77,877)
Share based payments	**11**	(218,928)	(37,510)
Other operating expenses		-	(33,172)
Total expenses		(1,865,637)	(1,727,889)
Loss before income tax expenses		(1,785,528)	(1,596,927)
Income tax expense	**3**	-	-
Loss after Income Tax Expense for the year		(1,785,528)	(1,596,927)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on foreign currency, net of tax		33,330	(33,720)
Other comprehensive income/(loss) for the year		33,330	(33,720)
Total comprehensive loss for the year net of tax		(1,752,198)	(1,630,647)
Loss per share for loss from continuing operations attributable to equity holders of the company:			
Basic loss per share (cents)	**4**	(1.3)	(1.3)
Diluted loss per share (cents)	**4**	(1.3)	(1.3)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	30 June 2014 $	30 June 2013 $
CURRENT ASSETS			
Cash assets	**17(a)**	548,675	1,599,711
Receivables	**5(a)**	1,252,130	1,530,082
Other		11,429	44,822
TOTAL CURRENT ASSETS		1,812,234	3,174,615
NON CURRENT ASSETS			
Investment in associated entities	**5(b)**	-	-
Receivables	**5(b)**	183,739	-
Property, plant & equipment	**6**	589,868	531,593
Capitalised exploration and evaluation expenditure costs	**7**	7,712,712	7,030,331
TOTAL NON CURRENT ASSETS		8,486,319	7,561,924
TOTAL ASSETS		10,298,553	10,736,539
CURRENT LIABILITIES			
Trade & other payables	**8**	398,786	896,399
TOTAL CURRENT LIABILITIES		398,786	896,399
TOTAL LIABILITIES		398,786	896,399
NET ASSETS		**9,899,767**	**9,840,140**
EQUITY			
Contributed equity	**9**	14,387,262	12,798,365
Reserves	**10**	528,500	272,242
Accumulated losses	**12**	(5,015,995)	(3,230,467)
TOTAL EQUITY		**9,899,767**	**9,840,140**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

Year ended 30 June 2014	Attributable to equity holders					
	Ordinary Shares	Foreign Currency Exchange Reserve	Accumul-ated Losses	Share Based Payments Reserve	Option Issue Reserve	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2013	12,798,365	(33,330)	(3,230,467)	305,572	-	9,840,140
Other comprehensive income						
Loss for the year	-	-	(1,785,528)	-	-	(1,785,528)
Movement in reserves, net of tax	-	33,330	-	-	-	33,330
Total comprehensive income / (loss) for the year	-	33,330	(1,785,528)	-	-	(1,752,198)
Transactions with owners in their capacity as owners						
Shares issued during the year	1,701,000	-	-	-	-	1,701,000
Share issue costs	(112,103)	-	-	-	-	(112,103)
Options issued during the year	-	-	-	-	4,000	4,000
Shares based payments		-	-	218,928	-	218,928
Total contributions by owners	1,588,897	-	-	218,928	4,000	1,811,825
Balance at 30 June 2014	14,387,262	-	(5,015,995)	524,500	4,000	9,899,767

Year ended 30 June 2013	Attributable to equity holders				
	Ordinary Shares	Foreign Currency Exchange Reserve	Accumulated Losses	Share Based Payments Reserve	Total Equity
	$	$	$	$	$
Balance at 1 July 2012	9,995,570	390	(1,633,540)	268,062	8,630,482
Other comprehensive income					
Loss for the year	-	-	(1,596,927)	-	(1,596,927)
Movement in reserves, net of tax	-	(33,720)	-	-	(33,720)
Total comprehensive income / (loss) for the year	-	(33,720)	(1,596,927)	-	(1,630,647)
Transactions with owners in their capacity as owners					
Shares issued during the year	2,997,000	-	-	-	2,997,000
Share issue costs	(194,205)	-	-	-	(194,205)
Shares based payments	-	-	-	37,510	37,510
Total contributions by owners	2,802,795	-	-	37,510	2,840,305
Balance at 30 June 2013	12,798,365	(33,330)	(3,230,467)	305,572	9,840,140

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 $	30 June 2013 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,622,219)	(1,694,686)
Interest received		31,227	130,584
Interest and other costs of finance paid		(4,806)	(256)
VAT refund received		291,102	-
Net cash used in operating activities	**17(b)**	(1,304,696)	(1,564,358)
Cash flows from investing activities			
Payment for property, plant & equipment		(121,397)	(470,244)
Capitalised exploration and evaluation expenditure		(2,285,575)	(4,023,393)
Contributions to capitalised exploration and evaluation expenditure by Badimo		1,138,147	-
Net cash used in investing activities		(1,268,825)	(4,493,637)
Cash flows from financing activities			
Proceeds from the issue of ordinary shares		1,701,000	2,997,000
Share issue costs		(112,103)	(194,205)
Proceeds from issues of options		4,000	-
Payment of security bonds		-	(20,000)
Net cash provided by financing activities		1,592,897	2,782,795
Net (decrease) in cash and cash equivalents		(980,624)	(3,275,200)
Effects of exchange rate on cash and cash equivalents		(70,412)	(32,939)
Cash and cash equivalents at the beginning of the financial year		1,599,711	4,907,850
Cash and cash equivalents at the end of the financial year	**17(a)**	548,675	1,599,711

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies

The financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Australian Accounting Interpretations. The financial report of Kinetiko Energy Limited complies with International Financial Reporting Standards (IFRS). The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements were authorised for issue by the Directors on 30 September 2014.

Basis of preparation
Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the Company being able to raise additional funds as required to meet ongoing commitments and for working capital. The timing of raising additional capital will depend on Investment markets, current and future planned exploration and development activities.

Whilst there is uncertainty regarding the outcomes of funding alternatives, the Board considers that the quality of its projects will enable it to raise further capital to fund its exploration and development activities. In addition, the Company has the capacity to defer a number of expenses that are discretionary in nature, including administrative costs, exploration programs and development expenditure for the commercialisation of its projects that are not contractually binding. The Directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will be able to raise the funds that it requires to carry on business.

The financial report does not contain any adjustments to the amounts or classification of recorded assets or liabilities which might be necessary if the Company was not to continue as a going concern.

Critical Accounting Judgments & Estimates
In the application of AASB management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported, refer to Note 1(r).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies (cont)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

(b) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(c) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, superannuation, annual leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(d) Financial assets

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in receivables (Note 5) in the Statement of Financial Position.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies (cont)

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies (cont)

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies (cont)

(h) Exploration and Evaluation Expenditure

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition.

Subsequent exploration and evaluation costs related to an area of interest are written off as incurred except they may be carried forward as an item in the Statement of Financial Position where the rights of tenure of an area are current and one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

- exploration and/or evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered through use or sale.

(i) Operating cycle

The operating cycle of the entity coincides with the annual reporting cycle.

(j) Trade payables and other payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Plant and equipment	6.67% to 66.67%

(l) Foreign Currency Translation

(i) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies (cont)

(m) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(n) Revenue recognition

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(o) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(q) Earnings per share

Basic earnings per share is calculated as a net profit attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies (cont)

(r) Critical accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with AASB required the use of certain critical estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Exploration and evaluation assets

Acquisition, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable areas, and active and significant operations in or relating to, the area of interest are continuing.

Deferred Tax Assets

The Company has not recognised any deferred tax assets or liability in relation to the carrying value of its capitalised exploration and evaluation assets as the Directors do not believe it is capable of being estimated with a sufficient degree of reliability due to uncertainty over the manner in which the carrying value of these assets will be recovered.

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

(t) Interests in Joint Arrangements

The Company's interests in joint operations have been included in the appropriate line items of the financial statements in accordance with *AASB 11 Joint Arrangements*. Details of the Company's interests are provided in Note 21.

(u) Investments in Associates

The Company's investments in associates are accounted for using the equity method of accounting in the financial statements. The associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Significant influence exists when the Company holds 20% or more of the voting power of the investee, unless in the Company's opinion, significant influence is not present.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Company determines whether it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the associate. The income statement reflects the Company's share of the results of operation of the associate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies (cont)

(u) Investments in Associates (cont)

Where there has been a change recognised directly in the associate's equity, the Company recognises its share of any changes and discloses this in the consolidated statement of recognised income and expense.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(v) New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Company from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

The following Accounting Standards and Interpretations are most relevant to the Company:

(i) AASB 10 Consolidated Financial Statements

AASB 10 provides a revised definition of 'control' which states that control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The Company not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. This standard is not expected to significantly impact the Company's financial statements.

The standard has not significantly impacted the Company's financial statements.

(ii) AASB 11 Joint Arrangements

The Company has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

The Company's interest in the Amersfoort Project with Badimo (see Note 21) will be referred to as a "joint operation" under AASB 11 and will continue to account for its interest using the proportionate consolidation method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies (cont)

(v) New, revised or amending Accounting Standards and Interpretations adopted (cont)

(iii) AASB 12 Disclosure of Interests in Other Entities

The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

The standard has not significantly impacted the Company's financial statements.

(iv) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

The standards have not significantly impacted the amounts recognised in the Company's financial statements.

(v) AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring re-measurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

The Company does not have any defined benefit plans and thus changes to the standard are not relevant.

(vi) AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

The standards have not significantly impacted the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies (cont)

(v) New, revised or amending Accounting Standards and Interpretations adopted (cont)

(vii) AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

The standard has not significantly impacted the Company's financial statements.

(viii) AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

The standard has not significantly impacted the Company's financial statements.

(ix) AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments

The standard amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

(x) Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20

The Interpretation clarifies when production stripping costs should lead to the recognition of an asset and how that asset should be initially and subsequently measured. The Interpretation only deals with waste removal costs that are incurred in surface mining activities during the production phase of the mine.

The interpretation has not significantly impacted the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies (cont)

(v) New, revised or amending Accounting Standards and Interpretations adopted (cont)

(xi) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The Company has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

(w) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2014. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

(i) AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The Company will adopt this standard and the amendments from 1 July 2017 but the adoption of this amending standard does not have any material impact on the financial statements of the Company.

(ii) AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies (cont)

(w) New Accounting Standards and Interpretations not yet mandatory or early adopted (cont)

(iii) AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the Company.

(iv) AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 July 2014 will not have a material impact on the Company.

(v) AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and allow entities that meet the definition of an 'investment entity' to account for their investments at fair value through profit or loss. An investment entity is not required to consolidate investments in entities it controls, or apply AASB 3 'Business Combinations' when it obtains control of another entity, nor is it required to equity account or proportionately consolidate associates and joint ventures if it meets the criteria for exemption in the standard. The adoption of these amendments from 1 July 2014 will have no impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

1. Summary of Significant Accounting Policies (cont)

(w) New Accounting Standards and Interpretations not yet mandatory or early adopted (cont)

(vi) AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the Company.

(vii) Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 2: Loss From Continuing operations	**2014** **$**	**2013** **$**
Loss from Continuing operations before income tax includes the following items of revenue and expenses		
(a) Revenue		
Interest income	31,528	130,962
Foreign currency gain	48,581	-
Revenue from ordinary activities	80,109	130,962
(b) Operating Expenses		
Depreciation of plant and equipment	63,122	53,977
(c) Significant Expenses		
Consulting and professional fees in relation to general administration and assistance with negotiation of agreement with Badimo Gas Pty Ltd	111,398	89,008
Corporate advisory fees	167,091	130,000
Auditing costs	24,545	58,560
Other professional fees	40,432	105,453
Consulting and professional costs	343,466	383,021

Note 3: Income Tax

(a) The prima facie income tax expense on pre-tax accounting loss reconciles to the income tax expense in the financial statements as follows:

	2014 **$**	**2013** **$**
Loss from Operations	(1,785,528)	(1,596,927)
Income tax benefit calculated at 30%	(535,658)	(479,078)
Capital raising cost allowable	(41,080)	(41,080)
Non deductible share based payments	65,678	11,253
	(511,060)	(508,905)
Movements in unrecognised Timing differences	15,213	12,820
Unused tax losses not recognised as a deferred tax asset	495,847	496,085
Income tax expense reported in the income statement	-	-

(b) Unrecognised deferred tax balances:
The following deferred tax assets (30%) have not been brought to Account :

Unrecognised deferred tax asset – tax losses	757,366	985,785
Unrecognised deferred tax liability – timing differences	(90)	(113)
Unrecognised deferred tax asset – other temporary differences	37,165	20,620
Net deferred tax assets not brought to account	794,441	1,006,292

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 3: Income Tax (cont)

The taxation benefits of tax losses and timing not brought to account will only be obtained if:

(c) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
(d) conditions for deductibility imposed by the law are complied with; and
(e) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Note 4: Loss per share	**2014 Cents Per Share**	**2013 Cents Per Share**
Basic loss per share:	(1.3)	(1.3)
Diluted loss per share:	(1.3)	(1.3)

The loss for the year and the weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2014 $	**2013 $**
Loss for the year after income tax	(1,785,528)	(1,596,927)

	2014 No.	**2013 No.**
Weighted average number of ordinary shares for the purposes of basic earnings per share	133,615,151	119,392,192

Note 5: Receivables *(a) Current*	**2014 $**	**2013 $**
Receivable – Badimo JV contribution (see Note 19b)	1,199,703	1,444,440
Other receivables – VAT refundable	8,863	171,257
Less: Provision for VAT	(8,863)	(171,257)
Other receivables – GST refundable	9,004	23,673
Other debtor	3,122	21,592
Security bonds	40,000	40,000
Accrued interest receivable	301	377
	1,252,130	1,530,082

The Badimo JV contribution is past due at 30 June 2014. As a result, Kinetiko is currently pursuing recovery of amounts outstanding.

None of the other receivables are past due or impaired. Refer to Note 18 for the Company's financial risk management and policies.

(b) Non-Current	**2014 $**	**2013 $**
Loan – Associated Entity	183,739	-

The loan to associate is repayable from Afro Energy (Pty) Ltd, a newly incorporated entity formed in South Africa, of which Kinetiko owns a 49% interest. The initial investment was $1 and carrying value of the investment at 30 June 2014 was $Nil. Kinetiko's share of profit/loss for the year ended 30 June 2014 reduced the investment to $Nil.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 6: Property, Plant & Equipment

	2014 $	2013 $
Opening net book value	531,593	225,286
Additions	121,397	470,244
Disposals	-	(110,000)
Profit on sale	-	40
Depreciation charge for the year	(63,122)	(53,977)
Closing net book value	589,868	531,593
Cost or fair value	719,051	597,654
Accumulated depreciation	(129,183)	(66,061)
	589,868	531,593

Note 7: Capitalised Exploration & Evaluation Expenditure Costs

	2014 $	2013 $
Opening balance of Capitalised Exploration & Evaluation Expenditure Assets	7,030,331	3,726,829
Exploration & Evaluation Expenditure during the year	1,636,991	4,747,942
Badimo JV Contribution – Cash call	(954,610)	(1,444,440)
Closing balance of Capitalised Exploration & Evaluation Expenditure Assets	7,712,712	7,030,331

The recoverability of the carrying amounts of exploration and valuation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

Note 8: Current trade and other payables	2014 $	2013 $
Trade payables and accruals	398,786	896,399
	398,786	896,399

Refer to Note 18 for the Company's financial risk management and policies.

It is expected that the above payables will be settled within the next 12 months.

Note 9: Issued Capital

(a) Issued Capital
Movements in share capital were as follows:

Year ended 30 June 2014		Issue Price	Fully Paid Ordinary Shares	$
1 July 2013	Opening Balance		127,650,000	12,798,365
20 December 2013	Issue of shares pursuant to placement facility	$0.1500	11,340,000	1,701,000
	Share issue costs		-	(112,103)
30 June 2014	Closing Balance		138,990,000	14,387,262

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 9: Issued Capital (cont)

(a) Issued Capital (cont)

Year ended 30 June 2013		**Issue Price**	**Fully Paid Ordinary Shares**	**$**
1 July 2012	Opening Balance		110,000,000	9,995,570
25 October 2012	Issue of shares pursuant to employment agreement *		1,000,000	-
17 to 21 December 2012	Issue of shares pursuant to placement facility	$0.1800	16,650,000	2,997,000
	Share issue costs		-	(194,205)
30 June 2013	Closing Balance		127,650,000	12,798,365

***** During the year ended 30 June 2013, 1,000,000 fully paid ordinary shares were issued to Andrew Lambert, a Director of the Company for nil consideration in accordance with his Employment Agreement dated in June 2011 and following shareholders approval at the Company's General Meeting held on 25 September 2012.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands. Refer to Note 18(b) for the Company's capital risk policy.

(b) *Options*

The following unlisted options were on issue during the year ended 30 June 2014.

Exercise price	25c	50c	75c	20c
Expiry date	30 June 2014	30 June 2015	30 June 2016	28 April 2017
Opening balance*	500,000	750,000	1,000,000	-
Issued during the year**	-	-	-	4,000,000
Expired during the year	(500,000)	-	-	-
Exercised during the year	-	-	-	-
Closing balance	-	750,000	1,000,000	4,000,000

* Refer to Note 11(i) for details of the issue.
** Refer to Note 11(ii) for details of the issue.

Note 10: Reserves

	2014 $	**2013 $**
Foreign Exchange Reserve	-	(33,330)
Share Based Payments Reserve	524,500	305,572
Options Issue Reserve	4,000	-
Total Reserves	528,500	272,242

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 10: Reserves (cont)

	2014 $	2013 $
(i) Foreign Exchange Reserve		
Balance at beginning of financial year	(33,330)	390
Movement for year	33,330	(33,720)
Foreign Exchange Reserve	-	(33,330)

Refer to Note 18(e) for the Company's foreign exchange risk policy.

	2014 $	2013 $
(ii) Share Based Payments Reserve		
Balance at beginning of financial year	305,572	268,062
Movement for year	218,928	37,510
Share Based Payments Reserve	524,500	305,572
(iii) Options Issue Reserve		
Balance at beginning of financial year	-	-
Movement for year	4,000	-
Options Issue Reserve	4,000	-

(iv) Nature and purpose of reserves

Foreign Currency Translation Reserve
Exchange differences arising on translation of the Company's international operations are taken to the foreign currency translation reserve.

Share Based Payments Reserve
The Share Based Payments Reserve is used to recognise the fair value of shares and options granted as remuneration.

Options Issue Reserve
The Options Issue Reserve is used to recognise the fair value of options issued during the year.

Note 11: Share Based Payments

(i) Incentive Options
During the year ended 30 June 2013, 2,250,000 unlisted incentive options were issued to Andrew Lambert, a director of the Company. The incentive options were issued in accordance with his Employment Agreement dated in June 2011 and following shareholders approval at the Company's General Meeting held on 25 September 2012.

During the financial year, $16,928 (2013: $37,510) was recognised as a share based payment made to Andrew Lambert, a director of the Company, representing the balance of the amortised fair value of the incentive options.

The fair value of these incentive options was determined using the Black-Scholes option valuation methodology and applying the following inputs:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 11: Share Based Payments (cont)

(i) Incentive Options (cont)

	25c Options	50c Options	75c Options	Total
Market Price at 30 June 2012	$0.20	$0.20	$0.20	
Exercise Price	25c	50c	75c	
Expiry Date	30 June 2014	30 June 2015	30 June 2016	
Risk Free Rate	2.89%	2.75%	2.75%	
Volatility	75%	75%	75%	
Value per Director Option	$0.0711	$0.0554	$0.0554	
Total Value of Options	$35,550	$41,550	$55,400	$132,500
Amount Expensed to 30 June 2014	$35,550	$41,550	$55,400	$132,500
Amount Expensed at 30 June 2014	$0	$0	$16,928	$16,928
Opening balance	500,000	750,000	1,000,000	
Issued during the year	-	-	-	
Expired during the year	(500,000)	-	-	
Exercised during the year	-	-	-	
Closing balance	-	750,000	1,000,000	

(ii) Unlisted Options

During the financial year ended 30 June 2014, $202,000 was recognised as a share based payment made to Argonaut Limited for 4,000,000 unlisted options issued in accordance with the advisory mandate.

The fair value of these unlisted options granted was calculated as 5.16 cents each by using the Black-Scholes option valuation methodology and applying the following inputs:

Weighted average exercise price (cents)	0.20
Weighted average life of the option (years)	3
Weighted average underlying share price (cents)	0.13
Expected share price volatility	75%
Risk free-interest rate	3.00%

Note 12: Accumulated Losses

	2014 $	2013 $
Balance at beginning of financial year	(3,230,467)	(1,633,540)
Net Loss	(1,785,528)	(1,596,927)
Balance at end of financial year	(5,015,995)	(3,230,467)

Note 13: Remuneration of Auditors

	2014 $	2013 $
BDO Audit (WA) Pty Ltd		
Audit or review of the financial report	24,545	58,560
Other services	-	-
	24,545	58,560

The auditor of Kinetiko Energy Ltd is BDO Audit (WA) Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 14: Segment Information

The Company currently does not have production and is only involved in exploration. As a consequence, activities in the operating segments are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of service line manager and country of expenditure. Discrete financial information about each of these areas is reported to the executive management team on a monthly basis.

Based on the above, management has determined that the company has one operating segment being gas exploration in South Africa. As the Company is focused on gas exploration, the Board monitors the company based on actual versus budgeted exploration expenditure incurred by area of interest. These areas of interest meet aggregating criteria and are aggregated into one reporting sector. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

	2014 $	2013 $
Revenue from external sources	-	-
Reportable segment loss	-	-
Reportable segment assets	7,712,712	6,859,075
Reportable segment liabilities	-	
Reconciliation of reportable segment loss		
Reportable segment loss	-	-
Other revenue	80,109	130,962
Unallocated expenses	(1,865,637)	(1,727,889)
Loss before tax	(1,785,528)	(1,596,927)
Reconciliation of reportable segment assets		
Reportable segment assets	7,712,712	7,030,331
Unallocated:		
- Cash	548,675	1,599,711
- Receivables	1,252,130	1,701,338
- Other assets	11,429	44,822
- Property, plant and equipment	589,868	531,593
- Loan	183,739	-
Total assets	10,298,553	10,736,539
Reconciliation of reportable segment liabilities		
Reportable segment liabilities		
Unallocated:		
- Trade and other payables	(398,786)	(896,399)
Total liabilities	(398,786)	(896,399)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 15: Key Management Personnel Disclosures

Refer to Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's Key Management Personnel (KMP) for the year ended 30 June 2014.

	2014 $	2013 $
Short term employee benefits	755,895	852,678
Share based payments	16,928	37,510
Post employment benefits	18,189	25,615
	791,012	915,803

Note 16: Events Occurring After The Reporting Date

There are no matters or circumstances that have arisen since 30 June 2014 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.

Note 17: Notes to the Statement of Cash Flow

(a) *Reconciliation of Cash*

For the purposes of the Statement of Cash Flow, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flow is reconciled to the related items in the statement of financial position, as follows:

	2014 $	2013 $
Cash at bank and in hand	548,675	1,599,711

Refer to Note18 for the Company's financial risk management on cash.

(b) *Reconciliation of Operating Loss After Income Tax to Net Cash Flow From Operations*

Loss for the year	(1,785,528)	(1,596,927)
Depreciation	63,122	53,977
Changes in assets and liabilities:		
Trade and other payables	35,921	73,556
Receivables	140,718	(154,335)
Provisions	(11,250)	18,969
Inventory and prepayments	33,393	2,892
Share based payments	218,928	37,510
Net cash (used in) operating activities	(1,304,696)	(1,564,358)

(c) *Non-Cash Financing and Investing Activities*

There were no non-cash financing and investing activities during the year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 18: Financial Instruments

Financial risk management and policies

The Company's exploration activities are being funded by equity and are not exposed to significant financial risks. There are no speculative or financial derivative instruments. Funds are invested for various short term periods to match forecast cash flow requirements.

The Company holds the following financial instruments:

	2014 $	2013 $
Financial assets		
Cash and cash equivalents	548,675	1,599,711
Trade and other receivables	1,435,869	1,701,338
	1,984,544	3,301,049
Financial liabilities		
Trade payables and accruals	398,786	896,399
	398,786	896,399

The Company's principal financial instruments comprise cash and short-term deposits.
The Company does not have any borrowings.

The main purpose of these financial instruments is to fund the Company's operations.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company are capital risk, credit risk, liquidity risk, and interest rate risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

Management does not actively manage credit risk.

The Company has no significant exposure to credit risk from external parties at year end. The maximum exposure to credit risk at the reporting date is equal to the carrying value of financial assets at 30 June 2014.

Cash at bank is held with internationally regulated banks. As at 30 June 2014, all cash and cash equivalents were held with AA rated banks.

The Company had amount receivable from Badimo Gas of approximately $1.2 million as at 30 June 2014.

Other receivables are of a low value and all amounts are current. There are no trade receivables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 18: Financial Instruments (cont)

(b) Capital risk

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During the year ended 30 June 2014, the Company's strategy was to keep borrowings to a minimum. The company's equity management is determined by funds required to undertake exploration activities and meet its corporate and other costs.

(c) Liquidity risk

Maturity profile of financial instruments

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Company's exposure to the risk of changes in market interest rates relate primarily to cash assets and floating interest rates.

The directors monitor the cash-burn rate of the Company on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

As at reporting date the Company had sufficient cash reserves to meet its requirements. The Company has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Company had at reporting date were trade payables incurred in the normal course of the business. These were non interest bearing and were due within the normal 30-60 days terms of creditor payments.

The following table sets out the carrying amount, by maturity, of the financial instruments including exposure to interest rate risk:

As at 30 June 2014	<1 year	1 – 5 years	Over 5 years	Total	Weighted average effective interest rate %
Financial Assets:					
Cash	548,675	-	-	548,675	2.83
Receivables & other	1,435,869	-	-	1,435,869	
	1,984,544	-	-	1,984,544	
Financial Liabilities:					
Trade payables & accruals	398,786	-	-	398,786	
	398,786	-	-	398,786	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 18: Financial Instruments (cont)

(c) Liquidity risk (cont)

As at 30 June 2013	<1 year	1 – 5 years	Over 5 years	Total	Weighted average effective interest rate %
Financial Assets:					
Cash	1,599,711	-	-	1,599,711	4.00
Receivables & other	1,530,082	-	-	1,530,082	
	3,129,793	-	-	3,129,793	
Financial Liabilities:					
Trade payables & accruals	896,399	-	-	896,399	
	896,399	-	-	896,399	

(d) Interest rate risk
The sensitivity analysis has not been determined for the exposure to interest rate risk, because the directors of the Company consider it to be immaterial.

(e) Foreign exchange risk
The Company operates internationally and is currently exposed to foreign exchange risk with respect to the South African Rand and the United States Dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. If the foreign exchange rates strengthened or weakened by 20% with all other variables held constant the Company's net asset value would have been $24,000 lower or $24,000 higher.

The Company's exposure to foreign currency risk at the end of the reporting year, expressed in the South African Rand and United States Dollar, was as follows:

	2014	**2013**
Cash – ZAR	3,237,425	3,522,591
Receivables – ZAR	-	152,925
Trade payables - ZAR	(2,004,182)	(5,484,188)
Trade payables - USD	(784)	(60,074)

(f) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The Company's principal financial instruments consist of cash and deposits with banks, accounts receivable and trade payables. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 19: Commitments for expenditure

	2014 $	2013 $
(a) Operating lease commitments		
Not later than 1 year	97,341	46,553
Later than 1 year and not later than 2 years	48,670	-
Later than 2 years and not later than 5 years	-	-
	146,011	46,553

(b) Badimo Gas (Pty) Ltd ("Badimo") Farm-Out Agreement

Pursuant to the agreement with Badimo dated 30 August 2010, Kinetiko Energy Ltd has expended the first ZAR26 million (A$3,200,000) in December 2012. Pursuant to cash calls issued, Badimo repaid approximately $1.1 million to Kinetiko in July 2013 to cover their share of exploration expenditure on the Amersfoort project.

Going forward, Kinetiko and Badimo shall be required to fund the respective exploration work programmes in accordance with their respective percentage interests.

As at 30 June 2014, the amount receivable from Badimo is approximately $1.2 million.

(c) Royalty Obligations

Under The Mineral and Petroleum Royalty Act in the Republic of South Africa, royalties will be payable upon the extraction of mineral resources from within the Republic of South Africa. The royalty is estimated to range between 5-7%.

Note 20: Dividends

No dividends were paid or declared during the year.

Note 21: Investment in Joint Operation

Badimo Gas Pty Ltd

The Company entered into an agreement with Badimo, a South African company, on 30 August 2010 to combine their resources and experience to carry out the Amersfoort Project. The joint operation was established when the first ZAR26 million was expended towards the project in December 2012. Following the initial payment, Kinetiko and Badimo are required to fund further exploration programmes in accordance with their respective percentage interests of 49% and 51% each respectively.

In June 2014, the Company has applied to the Petroleum Agency SA to transfer the 51% participating interest held by Badimo Gas (Pty) Ltd to the Company as a result of Badimo's failure to meet cash calls despite default notices issued by the Company.

Correspondence with the Petroleum Agency SA continues and subject to compliance with South African regulatory requirements and approvals for giving effect to such transfer, the Company will hold a 100% participating interest in the Amersfoort Project.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (cont)

Note 21: Investment in Joint Operation (cont)

The Company's share of assets and liabilities employed in the joint venture and included in the Statement of Financial Position is:

	2014 $	2013 $
Statement of Financial Position		
Current Assets	-	-
Non Current Assets	2,412,004	1,609,878
Total Assets	-	-
Current Liabilities	-	-
Non Current Liabilities	-	-
Total Liabilities	-	-

The Company's share of profit before tax in the joint ventures is:

Statement of Profit or Loss and Other Comprehensive Income		
Revenue	-	-
Expenses	-	-
Net Profit before tax	-	-

Note 22: Related Party Transactions

Investments in associated entities
Investments in associated entities are set out in Note 5(b).

Key management personnel
Disclosures relating to key management personnel are set out in the remuneration report of the directors' report.

Transactions with related parties
During the year ended 30 June 2014, Kinetiko transferred tenements at nil cost to Afro Energy (Pty) Ltd, a company in which Kinetiko owns a 49% interest. It was considered that the cost of the tenements equated to their market value.

Loans to related parties:
The following balance is outstanding as at reporting date in relation to funds advanced to related parties:

Loan to Afro Energy (Pty) Ltd

	2014 $	2013 $
Opening balance	-	-
Funds advanced	183,739	-
Closing balance	183,739	-

The loan is unsecured, interest charged at arm's length and repayable at call.

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is as at 30th September 2014.

Shareholdings as at 30th September 2014

Substantial shareholders
The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act are:

Shareholder Name		Number of Shares	Percentage
MICHAEL CHRISTINA M	M & A A/C	21,400,000	15.40%
EARTHSCIENCES PL	SEARLE S/F A/C	10,500,000	7.72%
BLUE SAINT PL		7,500,000	5.40%

On 21 August 2013, Wilson HTM Investment Group and their associates notified the Company that they had become a substantial shareholder in the Company. On 6 February 2014, the Company was notified that Wilson HTM Investment Group and their associates had ceased being a substantial shareholder.

Unmarketable parcels
The number of shareholders holding less than a marketable parcel is Nil.
There is only one class of share and all ordinary shareholders have equal voting rights.

Voting rights
All ordinary shares carry one vote per share without restriction.

Unquoted securities

Securities	Number of Options	Number of Holders
Options expiring 30 June 2015 at exercisable price of $0.50	750,000	1
Options expiring 30 June 2016 at exercisable price of $0.75	1,000,000	1
Options expiring 28 April 2017 at exercisable price of $0.20	4,000,000	1

On-market buyback
There is no current on-market buy-back.

Statement in relation to Listing Rule 4.10.19
The Directors of Kinetiko Energy Limited confirm in accordance with ASX Listing Rule 4.10.19 that during the period from admission to the official list and 30 June 2014, the Company has used its cash, and assets that are readily convertible to cash, in a way consistent with its business objectives.

Stock Exchange listing
Quotation has been granted for the Company's Ordinary Shares.

Distribution of security holders Category	Number of Holders
1 - 1,000	6
1,001 – 5,000	20
5,001 – 10,000	43
10,001 – 100,000	374
100,001 and over	208
	651

Twenty largest shareholders – Ordinary Shares

Name		Number of ordinary shares held	Percentage of capital held
CHRISTINA MICHAEL	M & A A/C	21,400,000	15.40%
EARTHSCIENCES PTY LTD	SEARLE S/F A/C	10,500,000	7.55%
BLUE SAINT PTY LTD		6,120,000	4.40%
EKUL NOMINEES PTY LTD		2,900,334	2.09%
AEGEAN CAPITAL PTY LTD	SPARTACUS A/C	2,875,000	2.07%
JASON & LISA PETERSON	J & L PETERSON S/F	2,785,000	2.00%
MAGAURITE PTY LTD	PETER NELSON S/F A/C	2,000,000	1.44%
WILLINGVALE PTY LTD		1,975,000	1.42%
HOLDREY PTY LTD	DON MATHIESON FAM	1,897,122	1.36%
BRENDAN DAVID GORE	GORE FAM A/C	1,880,000	1.35%
HOLDREY PTY LTD	DON MATHIESON FAM	1,550,000	1.12%
DDVM SUPERANNUATION NOMINEES	DDVM S/F A/C	1,550,000	1.12%
PETER KYROS PTY LTD	SUPERFUND A/C	1,540,000	1.11%
MR THEO PAUL DOROPOULOS		1,520,000	1.09%
TRIDENT CAPITAL PTY LTD		1,425,000	1.03%
GOLDFIRE ENTERPRISES PTY LTD		1,125,000	0.81%
BALD HOLDINGS PTY LTD		1,095,000	0.79%
KELVIN GLEN + B A CROSBY		1,025,000	0.74%
FINANCE ASSOCIATES PTY LTD	SUPER FUND A/C	1,000,000	0.72%
S E O + S M JOHNSTON	JOHNSTON RETIREMENT A/C	1,000,000	0.72%
TOTAL		**67,162,456**	**48.33%**

Schedule of mining tenements

Area of Interest	Tenement reference	Nature of interest	Interest
Amersfoort Project – South Africa			
	30/5/2/3/38ER	Operation Agreement	49%
	30/5/2/3/56ER	Operation Agreement	49%
	TCP 37	Four TCP (Technical Cooperation	100%
	TCP 38	Permits) granted by regulator;	100%
	TCP 39	Kinetiko 100% interest in all four.	100%
	TCP 42	TCP granted 28 May 2012.	100%

CORPORATE GOVERNANCE

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Eight Essential Corporate Governance Principles and Best Practice Recommendations ("Recommendations") as published by ASX Corporate Governance Council.

The Company's Corporate Governance policies and its Securities Trading Policy are available on the Company's website. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration. Unless otherwise stated, the policies below were in effect during the year ended 30 June 2014.

Principle 1 – Lay solid foundations for management and oversight

The Board and management have formalised their respective roles and responsibilities and the functions reserved to the Board and management. The Board has established and adopted a Board Charter for this purpose.

The Board is responsible for oversight of the management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals with a view to optimising company performance and the protection and enhancement of long-term shareholder value.

The Board has also established a Nomination and Remuneration Committee Charter which, amongst other functions, guides the Board in its evaluation of the performance of senior executives and encourages an appropriate mix of skills, experience, expertise and diversity on the Board.

The role of management is the efficient and effective operation of the activities of the Company in accordance with the objectives, strategies and policies determined by the Board. The performance of senior management is reviewed annually in a formal process with the executive's performance assessed against the company and personal benchmarks. Benchmarks are agreed with the executives and reviews are based upon the degree of achievement against those benchmarks.

Principle 2 – Structure the Board to add value

The Board has been formed such that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. Directors are appointed based on the specific skills required by the Company and on their experience, decision-making and judgement skills.

The Company has adopted a Nomination and Remuneration Committee Charter which encourages a transparent Board selection process in searching for and selecting new directors to the Board and having regard to any gaps in the skills and experience of the directors of the Board and ensuring that a diverse range of candidates is considered. The Board composition is reviewed on an ongoing basis with regard to the activities of the Company and the skills sets required to support those activities.

A separate nomination committee has not been formed. The role of the nomination committee is carried out by the full Board in accordance with the Nomination and Remuneration Committee Charter. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate committee.

The composition of the Board is determined using the following principles:

- A minimum of three directors, with a broad range of expertise
- Directors should bring characteristics which allow a mix of qualifications, skills, experience, expertise and diversity to the Board

The skills, experience, expertise and tenure of each director are disclosed in the Directors' Report within this Annual Report.

In assessing the independence of directors, the Board follows the ASX guidelines and will consider whether the director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company
- Is employed, or has previously been employed in executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving the on board
- Has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided
- Is a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- Has a material contractual relationship with the Company or another group member other than as director of the Company

The Board does not have a majority of independent directors. It is comprised of two executive and one non-executive directors and the Board is confident that each director brings independent judgement to the Board's decisions. The Board considers the existing structure and skill sets of the directors' appropriate given the small scale of the Company's enterprise and the associated economic restrictions the scale of operations places on the Company. The existing structure is aimed at maximising the financial position of the Company by keeping its operating costs to a minimum.

Where additional skills are considered necessary for specific purposes, access is made to independent professional advice at the expense of the Company.

Principle 3 – Promote ethical and responsible decision making

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Board has established a Code of Conduct to guide the Directors, managers, employees and officers of the Company with respect to matters relevant to the Company's legal and ethical obligations and the expectations of stakeholders.

The Code of Conduct requires officers and employees to avoid or ensure proper management of conflicts of interest, to not use confidential information for personal gain and to act in fair, honest and respectful manner. The Board has procedures in place for reporting any matters that give rise to unethical practices or conflicts between the interests of a director or senior executive and those of the Company.

Diversity Policy

The Board has also established a Workplace Diversity Policy which affirms the Company's commitment to promoting a corporate culture that is supportive of diversity and outlines strategies that the Board can undertake to encourage and promote a diverse working environment.

The Company does not select candidates based on gender or ethnicity, rather the recruitment process chooses candidates from a diverse group after widely canvassing the market and by selecting the most appropriate candidate based on merit and suitability for the role.

As at 30 June 2014 there are no women in senior executive positions in the Company, and 1 woman employee across the Company, representing 25% of the whole organisation. There are no women on the Board at this time. The Board maintains full transparency of board processes, reviews and appointments and encourages gender diversity.

Given the Company's size and that it currently has no employees the Board does not consider it appropriate to set objectives regarding gender diversity at this time. As the operations grow, the Board will give consideration to the setting of such objectives and their achievement through the appointment of appropriate candidates to the Board and senior executive positions as they become available.

Securities Trading Policy

The Board encourages directors and employees to hold shares in the Company to align their interest with the interests of all Shareholders. The Company has adopted a Securities Trading Policy which guides directors, employees or contractors in trading the Company's securities in accordance with ASX Listing Rules. Trading the Company's shares is prohibited under certain circumstances and a director, employee or contractor must not deal in the Company's securities at any time when he or she is in possession of information which, if generally available, may affect the price of the Company's shares.

The Policy sets out the following information:

(a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;

(b) trading in the Company's securities which is not subject to the Company's Trading Policy; and

(c) the procedures for obtaining written clearance for trading in exceptional circumstances.

Principle 4 – Safeguard integrity in financial reporting

The Directors require the Managing Director and external company auditors to state in writing to the Board, that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

A separate audit committee has not been formed. However, the Company has adopted an Audit Committee Charter. The role of the audit committee is carried out by the full Board in accordance with the Audit Committee Charter. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate audit committee.

Principle 5 – Make timely and balanced disclosure

The Directors are committed to keeping the market fully informed of material developments to ensure compliance with the ASX Listing Rules and the Corporations Act. The Directors have established a written policy and procedure to ensure compliance with the disclosure requirements of the ASX Listing Rules. At each meeting of the directors, consideration is given as to whether notice of material information concerning the Company, including its financial position, performance, ownership and governance has been made to all investors.

Under the policy the Company's employees and contractors must disclose any relevant information which comes to their attention and is believed to potentially be material to the Company Secretary or Executive Director.

Principle 6 – Respect the rights of Shareholders

The Directors have established a communications strategy to promote effective communication with Shareholders and encourage effective participation at general meetings. As well as ensuring timely and appropriate access to information for all investors via announcements to the ASX, the Company will also ensure that all relevant documents are released on the Company's website.

Communication with Shareholders is achieved through the distribution of the following information:

- The Annual Report is distributed to Shareholders;
- The Half Yearly Report is available on the Company's website
- Regular reports and announcements are released through the ASX
- The Annual General Meeting and other meetings called by the Company to obtain Shareholder approval as appropriate
- Investor information released through the Company's website

Principle 7 – Recognise and manage risk

The Board is responsible for overseeing the risk management function and ensuring that risks and opportunities are identified on a timely basis. The Directors have established a Risk Management Policy regarding the oversight and management of material business risks.

Responsibility for the control and risk management is delegated to the appropriate level of management within the Company, with the Executive Director having ultimate responsibility to the Board for monitoring the risk management and control framework. Risk analysis and evaluation occurs on an ongoing basis in the course of the activities of the Company. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies.

The Executive Director reports on a regular basis to the Board on the areas of their responsibility, including material business risks and provides an annual written report to the Board summarising the effectiveness of the Company's management of material business risks.

Principle 8 – Remunerate fairly and responsibly

A separate remuneration committee has not been formed. However, the Company has adopted a Nomination and Remuneration Committee Charter. The role of the remuneration committee is carried out by the full Board in accordance with the Nomination and Remuneration Committee charter. The charter details how the Board fulfils its duties in regards to the Company's remuneration plans, policies and practices, including the compensation of non-executive directors, executive directors and management. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate committee.

The Board has provided disclosure within this Annual Report in relation to Directors' remuneration and remuneration policies in accordance with the ASX Listing Rules and the Corporations Act. There are no retirement schemes or retirement benefits other than statutory benefits for non-executive directors.

The Company has a policy to prohibit its directors and employees, who participate in an equity-based incentive plan of the Company, from entering into transactions which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in the Company's securities. Directors and employees are encouraged to take sufficient professional advice in relation to their individual financial position.

The payment of bonuses, options and other incentive payments are reviewed by the Board annually as part of the review of executive remuneration. All bonuses, options and incentives must be linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and options, given they are justified by reference to measurable performance criteria.

The Company's Share Trading Policy is available on its website.