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ASX: KKO

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ASX ANNOUNCEMENT

Independent resource assessment confirms Kinetiko's South African projects as a major CBM play

Independent US Oil and Gas consultant: Gustavson and Associates has assessed the Coal Bed Methane (CBM) prospectivity of Kinetiko's (100% owned) three Technical Cooperation Permit (TCP) applications, in South Africa. Using probabilistic analysis, Gustavson and Associates have estimated:

- Gas Initially In Place (GIIP) Resource estimate of 10.7tcf (P₅₀)
- Contingent Resource estimate of 6.9tcf (P₅₀)

The estimates are based on three TCP applications covering 6,150Km², in total Kinetiko, has applied for four TCP applications covering 8,038Km² of prospective CBM land

The TCP applications have been submitted since late 2011 and are pending assessment by South African regulatory authorities; a decision is typically made within six months of applications:

- A TCP, once granted, entitles the holder to access Government data and the exclusive right to apply for and be granted an Exploration Right for the same area
- Legal advice has confirmed that there is no reason to believe the TCP applications will not be granted to Kinetiko

The TCP resource estimates are in addition to Kinetiko's nearby Amersfoort Project which has estimates of Gas in Place of 1.7tcf (P₅₀) and a Contingent Resource (P₅₀) of 1.1tcf

Kinetiko's exploration program continues on the Amersfoort project, which as announced late April, now includes up to eight pilot production wells commencing mid-2012:



PERTH based energy exploration company Kinetiko Energy Limited (ASX: KKO) is pleased to report on the outcome of analysis undertaken on three Technical Cooperation Permits (TCP) near Kinetiko's Amersfoort Project in South Africa.

The TCP applications cover areas Karoo coal basin that Kinetiko has identified as being highly prospective for commercial accumulations of coal bed methane.

Analysis of the four TCP areas by consultant Gustavson and Associates (Gustavson) has resulted in:

- P_{50} probabilistic estimate of Gas Initially in Place (GIIP) for the areas is **10.7tcf**
- P_{50} probabilistic estimate of CBM Contingent Resources of **6.9tcf**

The resource estimates were classified in accordance with the Petroleum Resource Management System, Society of Petroleum Engineers (SPE), 2007.

The CBM resource estimate is based on certain assumptions:

- *Adsorbed and free gas resource estimates were estimated using probabilistic analysis;*
- *Estimates used released gas content ranges and coal and carbonaceous mudstone thicknesses, established from Kinetiko Amersfoort Project;*
- *Gas content information was also obtained from published regional sources, rather than direct measurement and direct porosity values were assumed on analogous data in order to estimated free gas content.*

The TCP estimates are based on three TCP applications covering 6,150Km², in total Kinetiko has applied for four TCP applications covering 8,038 Km² of prospective CBM land.

Once granted, a TCP entitles the holder up to 12 months to perform desktop studies and the unique right to apply for exploration license tenure over the TCP area. The TCP also confers the right to access exploration data held by the regulatory authorities.

Kinetiko has 1,874km² of granted exploration tenure at Amersfoort (in joint venture with Badimo Gas Ltd) and a further 8,037km² under application as TCPs. The TCP application process generally takes 6 months and Kinetiko is hopeful that its TCPs will be granted.

Kinetiko Managing Director Andrew Lambert said: "We are pleased with the resource estimates for our pending TCP licences and expect these to be approved over the coming months. The granting of these licences would be a milestone for the Company and will confirm Kinetiko's South African gas projects as a major CBM play"

"We are confident of securing the TCP's and supported by South African legal advice have no reason to believe these applications will not be granted to Kinetiko."

Kinetiko will complete its planned program of exploration drilling of at least 16 holes over both Amersfoort and Volksrust tenements (56ER and 38ER) by mid-2012.



Kinetiko expects to complete its current exploration drilling program at Amersfoort by mid 2012. Results to date have been encouraging with gas data from the coal seams and indications of conventional gas in the sandstones overlying the coal.

A review of the gas resources on the Amersfoort project is being undertaken by Gustavson and Associates; this is expected within six weeks.

As previously announced, up to eight pilot production wells at Amersfoort is expected to commence mid-2012 and be completed by end of the year. Planning and procurement for this program is well advanced. Regulatory applications for approval of well design, sites and operational procedures have been submitted to the Petroleum Agency of South Africa.

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 over 30 years experience in oil and gas fields. Ms Bishop is an employee of Gustavson Associates LLC. As such Ms Bishop qualifies as a competent person as defined by clause 20 of the VALMIN Code and under ASX listing rule 5.11. Ms Bishop and Gustavson Associates have consented in writing to the use of their resource estimates in this announcement.

The Amersfoort Project

The Amersfoort area of Mpumalanga (formerly Eastern Transvaal) in South Africa is one of the most prospective areas for coal-bed methane (CBM) with well documented, gassy coal measures.

Kinetiko has 49% equity in two onshore gas licences in the Amersfoort area covering 1,874km² under a Farm Out agreement with South African company Badimo Gas Ltd. Kinetiko is the operator of these licences.

US-based independent oil and gas consultant Gustavson Associates of Boulder, Colorado have estimated the Amersfoort and Volksrust licences have CBM Gas In Place (GIP) Resources of 1.7 trillion cubic feet (tcf), and a 1.12tcf Contingent Resource.

The goal of the Amersfoort exploration program is to increase Resource/ Reserve certainty over a phased exploration program.

About Kinetiko Energy

Kinetiko Energy Limited is an Australian company formed to pursue advanced coal bed methane (CBM) opportunities in rapidly developing gas markets. As a result of country by country evaluations of CBM potential, energy markets and infrastructure in Sub-Saharan Africa, Kinetiko has focussed on the Republic of South Africa.

South Africa has extensive coal basins with evidence of gassy coals at depth and a growing demand for energy derived from gas. Kinetiko's Amersfoort Project is located at the heart of South Africa's energy generation and transmission infrastructure.

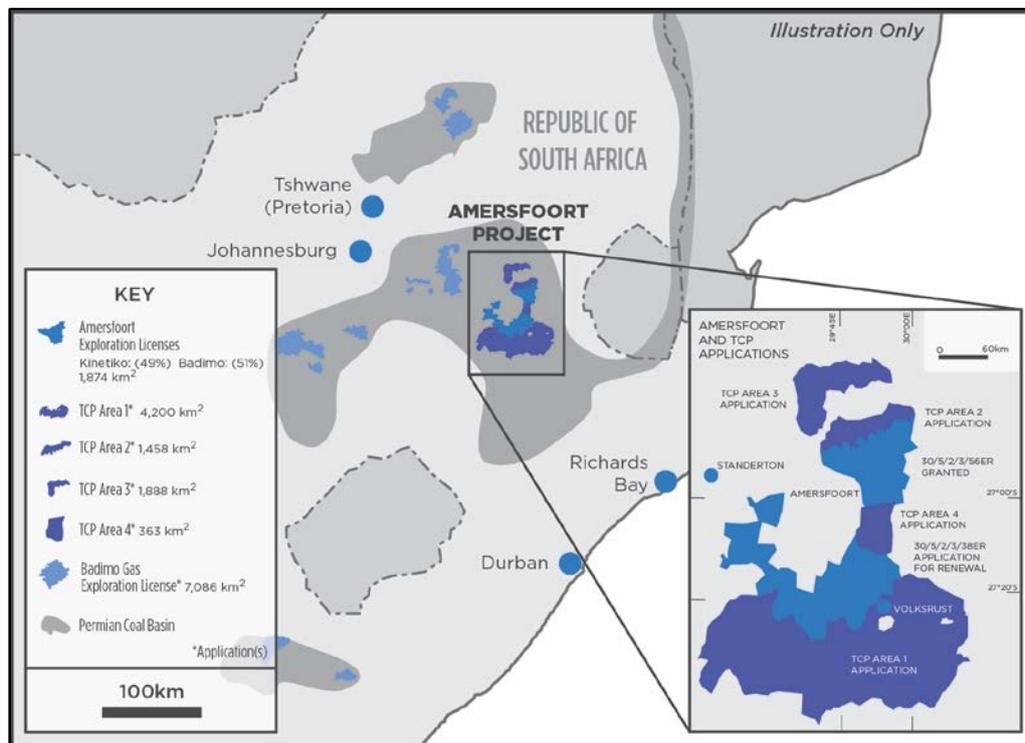


Figure 1: Kinetiko's land potential in South Africa, various applications underway.

For more information on Kinetiko visit: www.kinetikoenergy.com.au Andrew Lambert, Managing Director, Kinetiko Limited +61 8 6315 3500