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ASX: KKO

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ASX ANNOUNCEMENT

Kinetiko Energy's exploration drilling success continues on the Volksrust licence, South Africa

- **Exploration core drilling on Volksrust licence continues to encounter strong gas indications from target horizons;**
- **Two exploration drilling rigs continue to drill on Volksrust to expedite drilling progress;**
- **The purpose built, pilot production rig is expected to spud the first production well shortly;**
- **Pilot production tests determine "gas recoverability" and the company aims to have gas "Reserves" defined in Q1 2013.**

PERTH-based gas exploration company Kinetiko Energy Limited (ASX: KKO) is achieving strong initial exploration results in its Volksrust licence area as part of its Amersfoort Project, Mpumalanga, RSA.

Exploration drilling on Volksrust continues to encounter widespread gas indications in the target coal seams and overlying sandstones.

Volksrust (38ER -1,037Km² in size) is a larger area than the northern licence 56ER (564 Km²) - see Figure 1 and 2. In addition the gas zones are occurring deeper in the core holes; this could translate to greater gas volumes than originally planned.

Kinetiko has completed 3 core holes and 2 more are progressing strongly (see Table 1). A total of 8 exploration core holes are planned on the Volksrust licence which is expected to complete in Q1, 2013. The collected core samples are undergoing gas desorption in sealed canisters to improve certainty on gas resources and to plan the location of pilot production wells.

As expected, the Volksrust drill holes are ~150m deeper than the Amersfoort tenement to the north, with a current average depth of ~600m. See Table 1.

A Transnet gas pipeline traverses the north eastern section of the Volksrust licence area and offers a strong potential gas distribution option, should gas resources become economic. Pipelines are one of the many commercial options that are being assessed and confirm the great location of the Amersfoort project.

The pilot production rig is expected to spud the first production test well shortly, with the specialised rig, crew and supporting equipment already onsite.

The first three pilot production wells will commence by the end of October and results will be assessed in Q1 2013. The company is aiming to book Reserves (3P & 2P) by Q2 2013.

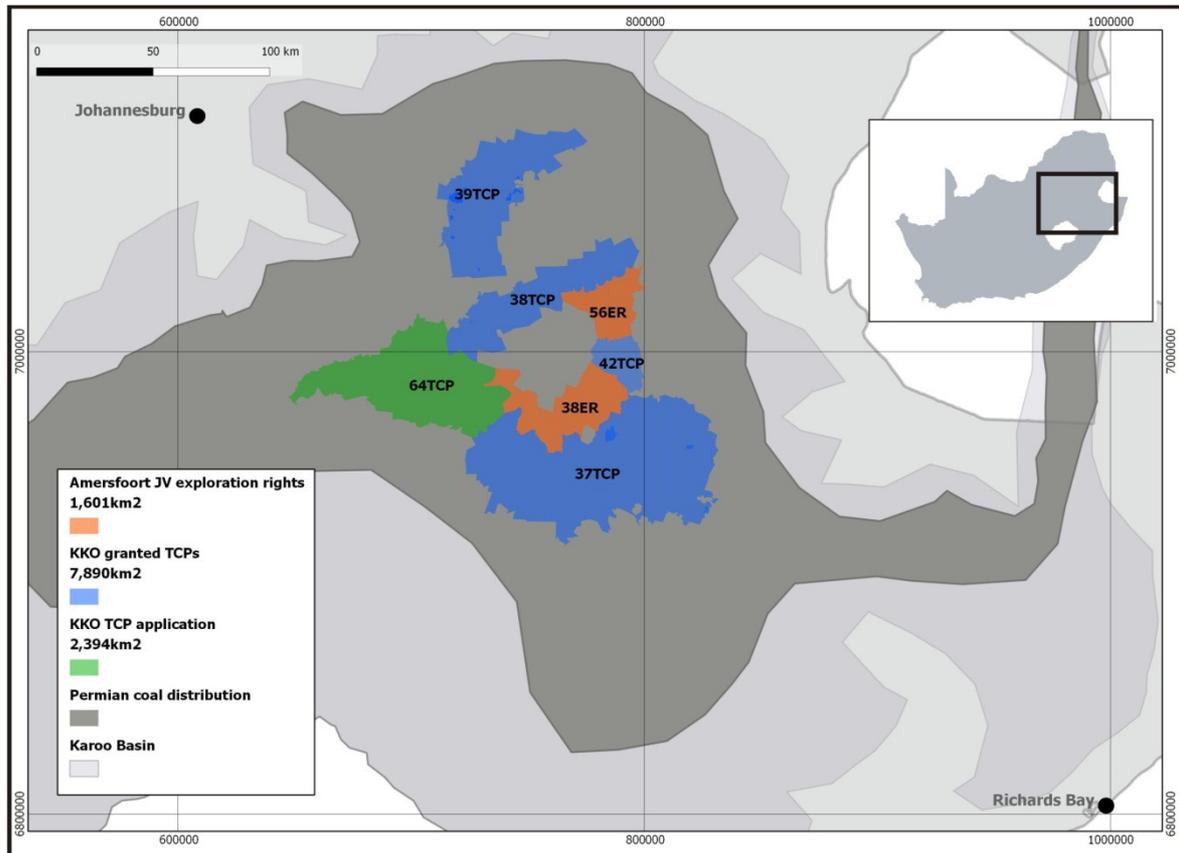


Figure 1: Kinetiko's exploration tenure; granted and under application. (Amersfoort 49% interest, TCP's 100% interest)

Hole ID	Status	Start Date	Depth (m)
KV-02	Completed	04-Jul-12	623
KV-01	Completed	03-Sep-12	542
KV-06	Completed	29-Aug-12	662
KV-05	Commenced	13-Oct-12	181
KV-04	Commenced	17-Oct-12	73

Table 1: Exploration drilling on the Volksrust licence, Amersfoort Project as of 24th October 2012

The Amersfoort Project

The Amersfoort Project is located at the heart of South Africa's energy infrastructure in Mpumalanga (formerly Eastern Transvaal) in South Africa, 250Km east of Johannesburg. Mpumalanga is a highly prospective area for coal-bed methane (CBM) with well documented, gassy coal measures.

Kinetiko is the operator of two gas licences in the Amersfoort Project (49% interest) covering 1,601km² under an agreement with South African BEE company: Badimo Gas Ltd.

US based independent, oil and gas consultant: Gustavson Associates estimates the Amersfoort Project to have Prospective resources “Gas In Place” of **2.4tcf** (up from 1.7tcf in 2011) and Contingent Resource of **1.5tcf**. The aim of the exploration program is to increase Resource and classify Reserves.

Exploration drilling at Amersfoort commenced late 2011 and current programs are scheduled to continue to mid 2013. Drilling of the first production test wells are planned to commence in Q4 2012 and will continue into 2013. Kinetiko aims to book first reserves in Q1 2013.

About Kinetiko Energy

Kinetiko Energy Limited (ASX: KKO) is an Australian gas explorer focused on advanced coal bed methane (CBM) opportunities in rapidly developing markets in Southern Africa. South Africa has extensive gassy coal basins, extensive energy infrastructure and a growing gas demand which make it an attractive area for a rapidly emergent CBM industry. Kinetiko is an early mover in the region and is pursuing new gas projects that will help supply clean energy and create jobs.

Kinetiko has large South Africa potential exploration area of which 9,491Km² is granted and actively being explored. Kinetiko has applied for TCP 64 (Technical Co-operation Permit) over 2,394Km² of prospective tenure and Badimo Gas has approximately 7,086Km² of applications pending for which Kinetiko has an MOU.

Gustavson Associates estimate Kinetiko’s four (100% interest) TCP areas to have Prospective resources of Gas In Place (GIP) of 9.3tcf (P₅₀). TCPs allow early evaluation and a unique right to apply for exploration licenses.

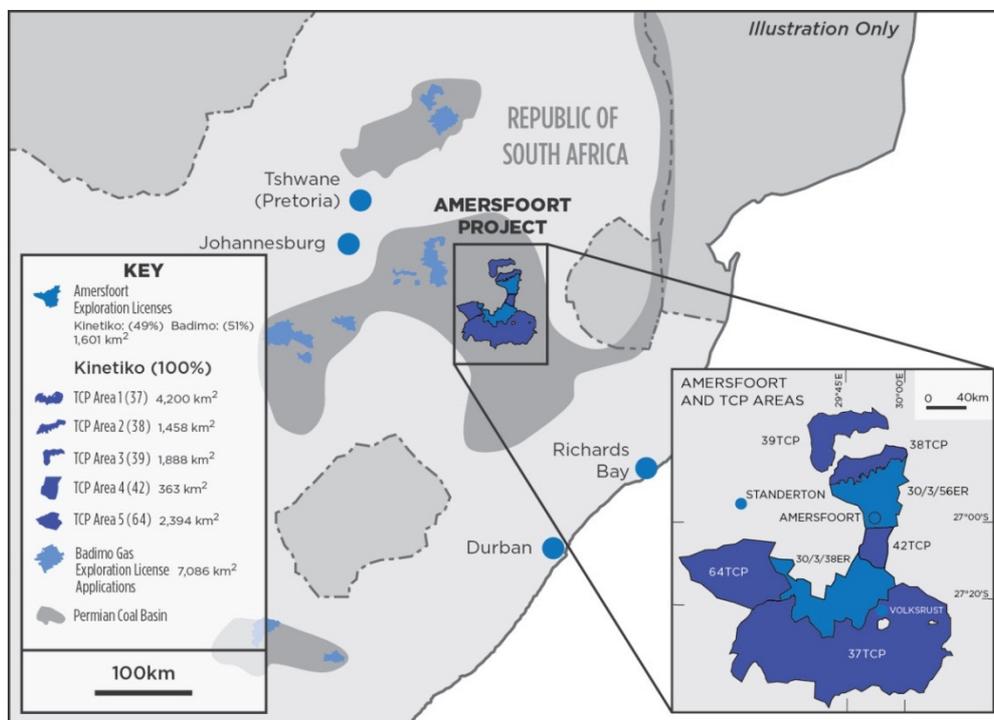


Figure 2: Kinetiko’s exploration tenure; granted, under application and MOU with Badimo Gas

For more information on Kinetiko visit: www.kinetikoenergy.com.au

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