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**ASX: KKO**

12<sup>th</sup> June 2013

## ASX ANNOUNCEMENT UPDATE ON THE AMERSFOORT PROJECT

- Kinetiko provides the following update on the Amersfoort Project (Kinetiko 49% and Operator). Kinetiko and its partner for the Amersfoort Project (Badimo Gas Pty Ltd), continue to negotiate funding arrangements.
- Badimo Gas currently owes Kinetiko \$1.3m for project activities completed to 31<sup>st</sup> May 2013 (by 30<sup>th</sup> June Badimo will owe Kinetiko up to \$1.6m). In the event these funds are not received early July, Kinetiko will take further action to enforce its rights under the joint operating agreements.
- Drilling of core and pilot wells has suspended to focus operations on the redrilling and testing of pilot test well KA-10PTR.
  - Kinetiko previously announced the intention to drill an additional 9 core holes across the Northern Licence (56ER) and Southern Licence (38ER), and five pilot wells in the Southern Licence (38ER) project area in 2013. Until funding is resolved between Kinetiko and Badimo, Kinetiko intends to defer these drilling programs.
  - See Table 1 for an update on testing on the pilot test wells already drilled on the Northern Licence (56ER).
- Kinetiko has \$1.3m cash as of 31st May 2013 (excluding Badimo funding). If the Badimo historic and future funds are received, Kinetiko is fully funded until December 2013 and will continue with the drilling program illustrated in Table 2.
- Kinetiko spudded a pilot test well redrill (KA-10PTR) on the 27<sup>th</sup> May in the Northern Licence (56ER). This well is expected to be ready for pump installation and commencement of gas flow testing from sandstone and coal targets within 2 weeks. Previous drilling at this location produced very encouraging (no active pumping) spontaneous gas which was flared.
  - As announced previously, exploration drilling of 10 core holes on the Northern Licence (56ER) encountered sandstones, carbonaceous mudstones and coals

with widespread gas in both coals and as conventional accumulations in sandstones. Exploration drilling of 10 core holes on the Southern Licence (38ER) has encountered more significant coals and carbonaceous mudstones on each of the deeper holes completed. See Table 2.

- Regulatory approval has recently been received for up to 8 pilot test wells to be drilled on the Southern Licence (38ER).
- Maiden reserves are now expected in Q4 (rather than Q3 as originally projected) in order to incorporate additional test well results.
- In respect of the four Technical Cooperation Permits (TCPs) granted to Kinetiko (100% Kinetiko), the Company expects to apply for Exploration Rights over parts of its TCP areas early July. These applications are not part of the Amersfoort Project

## OPERATIONS

Date of Progress Report	6th June 2013					
Tenure	Amersfoort Project (northern licence ER56)					
Interest	Kinetiko Energy Ltd 49% (Operator), Badimo Gas Pty Ltd 51%					
Targets	Permian Middle Ecca Sandstones (conventional) and coal bed methane					
Permeability Wells/ Pilot Test	KA-03PT	KA-10PT	KA-10PTR	KA-05PT	KA-11PT	KA-07PT
Commencement date						
Total Depth (m)	370	440	tbc	344	392	440 Est
Current Depth (m)	370	440	133	344	392	417
Status	Both stages pump-tested. Core hole has been plugged & longer testing is underway.	Abandoned and redrill. Fishing failed on stuck pump and tubing.	Redrill commenced. Plan to fit larger pump when ready.	Re-cement base of casing- Skid/pump run. Low static water level, yielded gas flow but only low pressure. Potential water storage well.	Well tested large volumes of fresh water with entrained gas. Logs indicate fresh water ingress from basal dolerite. Plan to cement back and retest.	Pump- tested full stage. Good gas pressure but low flow rate. May redrill away from collapsing dolerite.
Estimated flow test completion	March	NA	July	Postponed	July	Aug
Aim to certify test results	As announced	NA	August	Postponed	Aug	Sep

**Table 1 of Pilot Test wells (Permeability Tests) on the Northern Licence (56ER)**

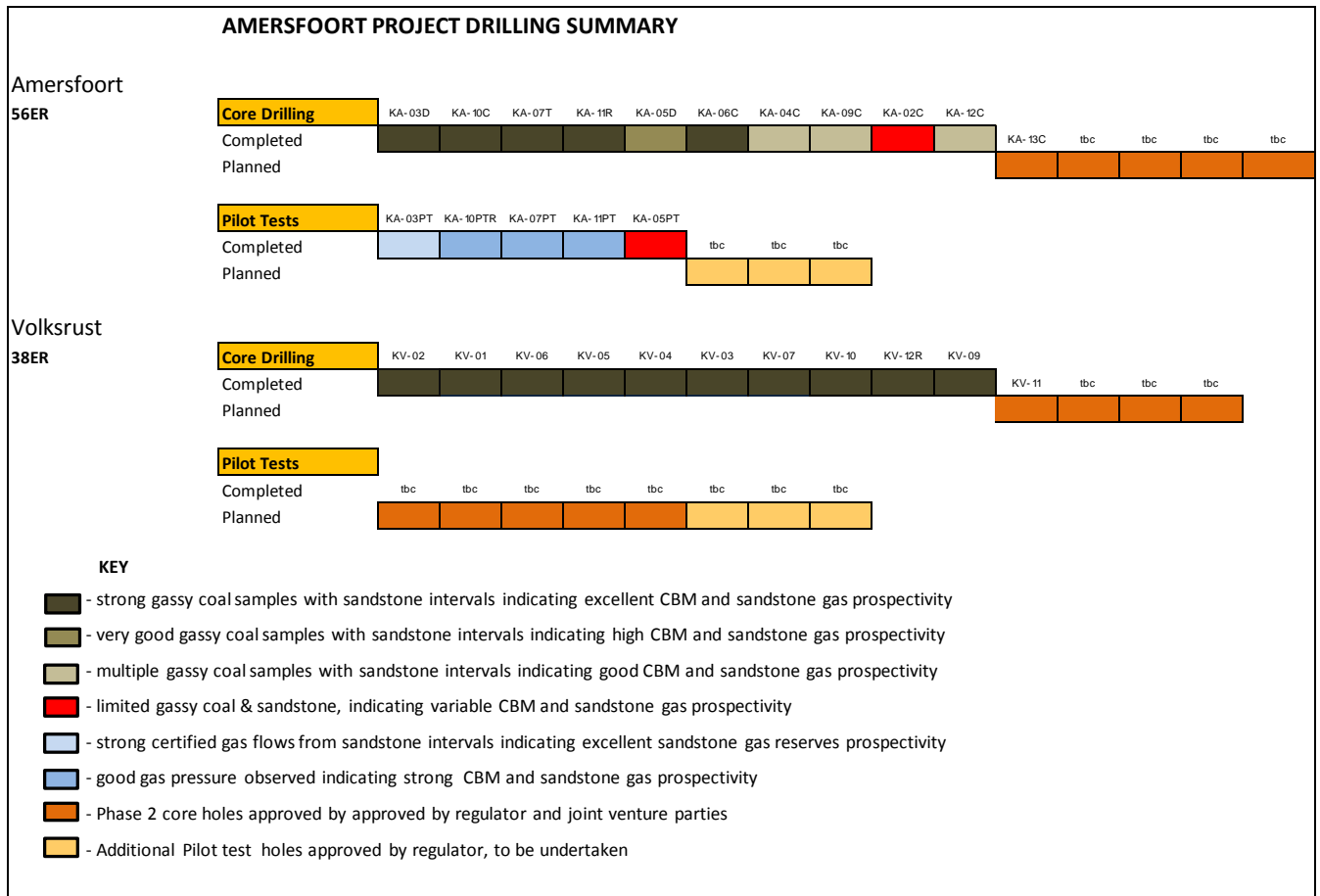
Five exploration pilot test wells have been drilled and three continue to be tested on the Northern Licence (56ER) (see Table 1). KA-03PT certified test results were announced to the ASX in March 2013, KA-10PTR is being redrilled; KA-05PTR is postponed due to technical complications, the other 2 test wells (KA-11PT and KA-07PT) are to be revisited.

KA-10PTR redrill was spudded 27th May and is expected to be ready for installation of pumps and gas flow equipment within 2 weeks. The original test well (KA-10PT) was abandoned after encouraging gas flows from shallow sandstones. A geological obstruction in the hole caused stuck pump gear and prevented drilling the deeper sandstone and coal targets. The redrill is being cased to below the potential problem horizon (dolerite).

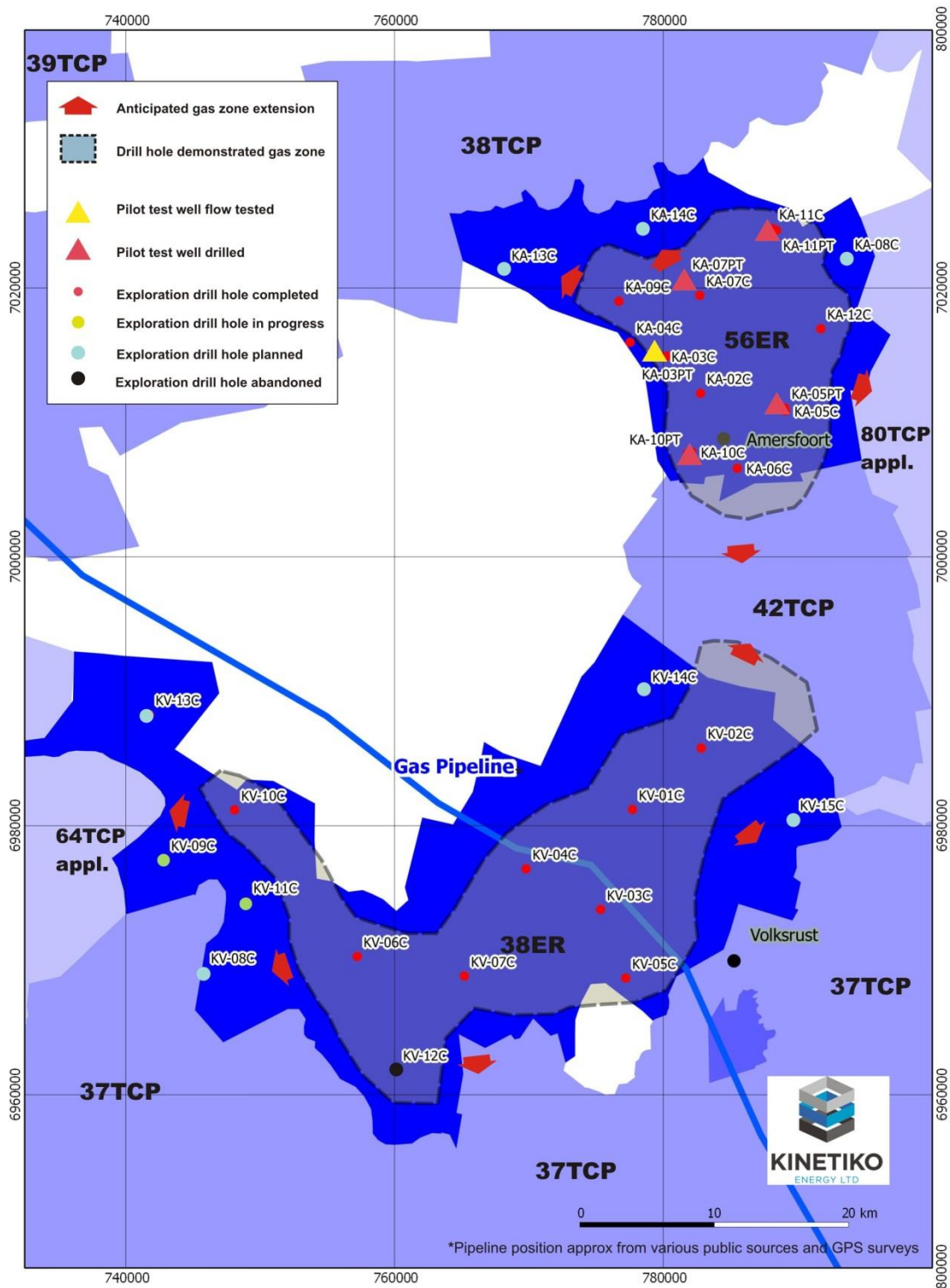
The O&G regulator (PASA) has approved up to 8 Pilot Test wells on the Southern Licence (38ER) of which 5 are planned to be drilled. As in the Northern license area, the pilot test wells will be located in areas identified in exploration drilling to contain gassy intervals and geophysical well log

indications of conventional gas in the sandstones. The company shall update the market as soon as timing of these 5 pilot test wells is agreed by the joint venture parties.

Pending the outcome of current and future funding discussions with Badimo, Kinetiko envisions a third drilling campaign commencing in Q1 2014 to incorporate 8 more Pilot test wells (in a “two 5” spot or “one 9” spot configuration to better assess deeper coal targets over time).



**Table 2 – Summary of Drilling completed and initial field observations**



**Figure 1 - Amersfoort Project exploration program potential**

To date a total of ten exploration core holes have been completed on the Northern Licence (56ER), and ten exploration holes have been completed on the Southern Licence (38ER).

KV-11 successfully drilled to TD and acquired core samples but is undertaking a fishing job to retrieve stuck rods.

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

**Table 3 - Exploration Core Holes on the Southern Licence (38ER)**

Hole ID	Status	JV Phase	Depth (m)	# Samples	Samples (m)
KA-03C	Abandoned	1	278	5	2.85
KA-05C	Abandoned	1	203	2	1.51
KA-11T	Abandoned	1	121	-	NA
KA-04C	Completed	1	425	39	79.08
KA-06C	Completed	1	366	26	17.68
KA-02C	Completed	1	389	34	23.07
KA-05D	Completed	1	350	5	2.13
KA-12C	Completed	1	334	9	4.74
KA-03D	Completed	1	404	9	4.66
KA-09C	Completed	1	376	12	6.62
KA-10C	Completed	1	463	14	6.02
KA-07T	Completed	1	438	Mud Rotary	NA
KA-11R	Completed	1	417	Mud Rotary	NA
KA-13C	Commenced	2	232		1.25

**Table 4 - Exploration Core Holes on the Northern Licence (56ER)**

## **AMERFOORT JV PROGRAMS AND BUDGETS**

In December 2012 Kinetiko Energy completed expenditure of the first ZAR26m (South African Rand) approximately \$3.2m on the Amersfoort Project as required under the terms of the Joint Venture agreements. In accordance with those agreements, Kinetiko has issued monthly cash calls to Badimo Gas in respect of their 51% share of further exploration expenditure on the project (approximately \$1.3m to 31<sup>st</sup> May). We await payment of these funds to Kinetiko under the terms of the Joint Operating Agreement.

For the year to 30<sup>th</sup> June 2013, Kinetiko estimate that Badimo Gas is liable to fund up to \$1.6m of exploration expenditure on the Amersfoort project under the agreements. Kinetiko is fully funded until January 2014 assuming contributions by Badimo Gas are met. If these cash calls are not met then operations may be suspended at the election of the Operator (Kinetiko), if deemed to be in the best interest of shareholders.

Notwithstanding negotiations over funding cash calls to date, Kinetiko and Badimo Gas are planning the exploration program and budget commencing 1<sup>st</sup> July 2013. The JV is planning for Production Rights applications in Q4 2014 after maiden reserves (and indicative customer offtakes).

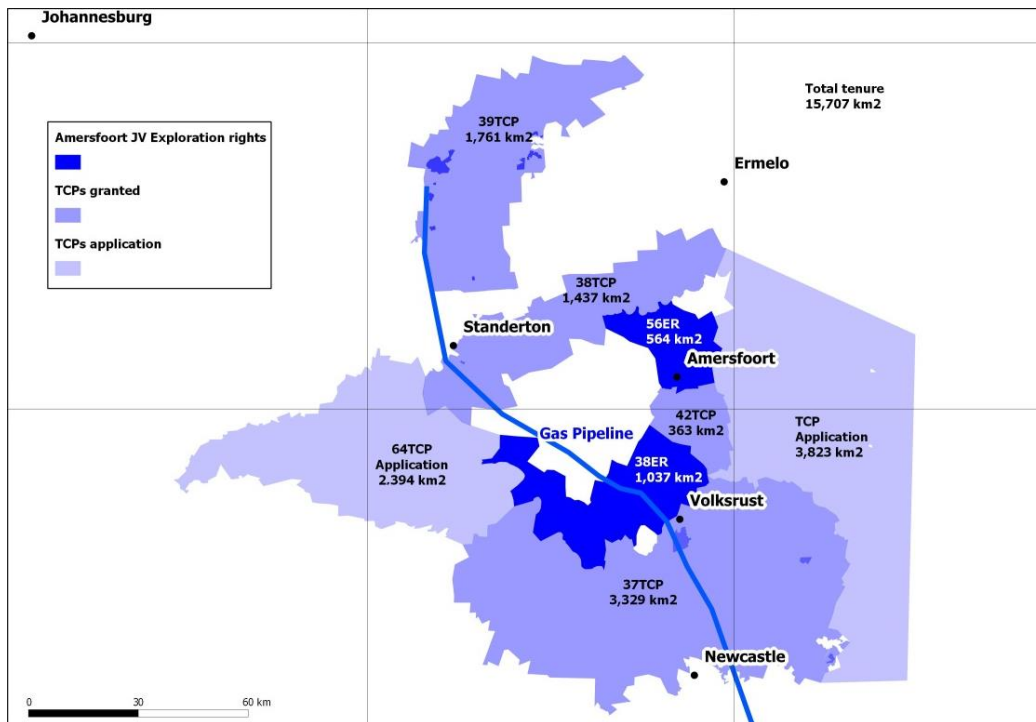
### **About Kinetiko Energy Ltd (ASX: KKO)**

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

Kinetiko has a large potential exploration area of which 9,491Km<sup>2</sup> is granted and being explored. Kinetiko has applied for two TCPs (Technical Co-operation Permits) over 6,217Km<sup>2</sup> of prospective tenure and Badimo Gas has approximately 7,086Km<sup>2</sup> of applications pending for which Kinetiko has an MOU. Gustavson Associates estimate Kinetiko's four granted TCP areas (100% Kinetiko) to have Prospective resources, Gas In Place (GIP) of 9.3tcf. TCPs allow evaluation and a unique right to apply for exploration Licences over the same area.

### **The Amersfoort Project**

Kinetiko (49% interest) is the operator of 2 gas Licences in the Amersfoort Project covering 1,601km<sup>2</sup> with South African partner: Badimo Gas Pty Ltd (51% interest). The Project is located in the heart of South Africa's energy infrastructure in Mpumalanga, South Africa, 250Km east of Johannesburg. Mpumalanga is highly prospective area for coal-bed methane (CBM) with well documented, gassy coal measures and gassy sandstones overlying coals. US based independent, oil and gas consultant: Gustavson Associates estimates the Amersfoort Project to have Prospective resources "Gas In Place" of 2.4tcf (up from 1.7tcf in 2011) and Contingent Resource of 1.5tcf. The aim of the exploration program is to improve Resources and classify Reserves. Exploration drilling commenced late 2011 and programs are scheduled to continue throughout 2013. Drilling of the first pilot test wells commenced Q4 2012. Kinetiko aims to book first reserves late Q4 2013.



**Figure 3: Kinetiko's exploration tenure; granted and under application**

For more information visit: [www.kinetikoenergy.com.au](http://www.kinetikoenergy.com.au) or contact Investor Relations: James Harris (PPR) on +61 8 9388 0944, or Andrew Lambert, Managing Director, Kinetiko Energy Limited, +61 8 6315 3500