



KINETIKO
ENERGY LTD

Kinetiko Energy Limited
ACN:141 647 529

283 Rokeby Rd
SUBIACO WA 6008
Phone: +61 8 6315 3500
Fax: +61 8 9481 1947

Email: info@kinetikoenergy.com.au
Web: www.kinetikoenergy.com.au

ASX: KKO

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ASX ANNOUNCEMENT SECOND PILOT HOLE FLOWS GAS

- Significant gas flows from KA-10PTR in addition to the previously reported flows of 332Mscf/day from KA-03PTR located 8km away further support the exploration geophysical logs and coal desorption data indicating widespread gas in coal and conventional gas in adjacent sandstones.
- Pilot test well KA-10PTR has produced an estimated gas flow rate of 45mscf/d over the first 10 day period (table 1). The well is now shut in for a pressure build up test and will then be shut in, pending further technical and JV negotiations.

 KINETIKO ENERGY LTD	
EXPLORATION DRILLING FLOW TEST REPORT	
WELL ID.	KA-10PTR
LOCATION	SOUTH AFRICA
PROJECT	AMERSFOORT
LICENSE	ER56
COMPANY INTEREST	49%
OPERATOR	KINETIKO ENERGY LTD
WELL TYPE	Pilot Test Well (Permeability Test)
COMPLETION	Cased 0-220m, barefoot 220-440m EOH
TEST ZONE	220-440m
TARGET CHRONOSTRATIGRAPHY	Late to Early Permian, Ecca Grp coal, carbonaceous shale and sandstones,
TEST TYPE	Preliminary flow measurement
STABILISED FLOW	45mscf/d
CONTENT	95% plus methane
MEASUREMENT	Well head electronic flow metering
CASING PRESSURE	1.8bar
DURATION	10 days
STABILISED WATER PRODUCTION	Up to 20m3/d

Table 1 KA-10PTR Initial Flow Test on the Northern Licence (ER56)

Five exploration pilot test wells have been drilled and two continue to be tested on the Northern Licence (56ER). KA-03PT certified test results were announced to the ASX in March 2013. Initial down hole pump problems with KA-10PT were overcome with a redrill and KA-10PTR has successfully flowed gas at significant rates. The hole is now being pressure tested. KA-11PT and KA-07PT have shown gas but will require further work if they are to be properly flow tested, they will be revisited once the JV parties have reached agreement on funding. KA-05PT yielded some gas flow but not enough to warrant further testing.

KA-10PTR redrill was spudded 27th May and has produced a measured stabilized gas flow of 45mscf/d over a 10 day period. The well is now shut in for a pressure build up test and afterwards will be shut in, pending further technical and JV review.

Initial commercial studies indicated that flow rates of 45mscf/d can be commercial due to the project's low cost (vertical drilling, completions and production environment) and very attractive local gas market demand and pricing.

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 part of Phase 2. 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.

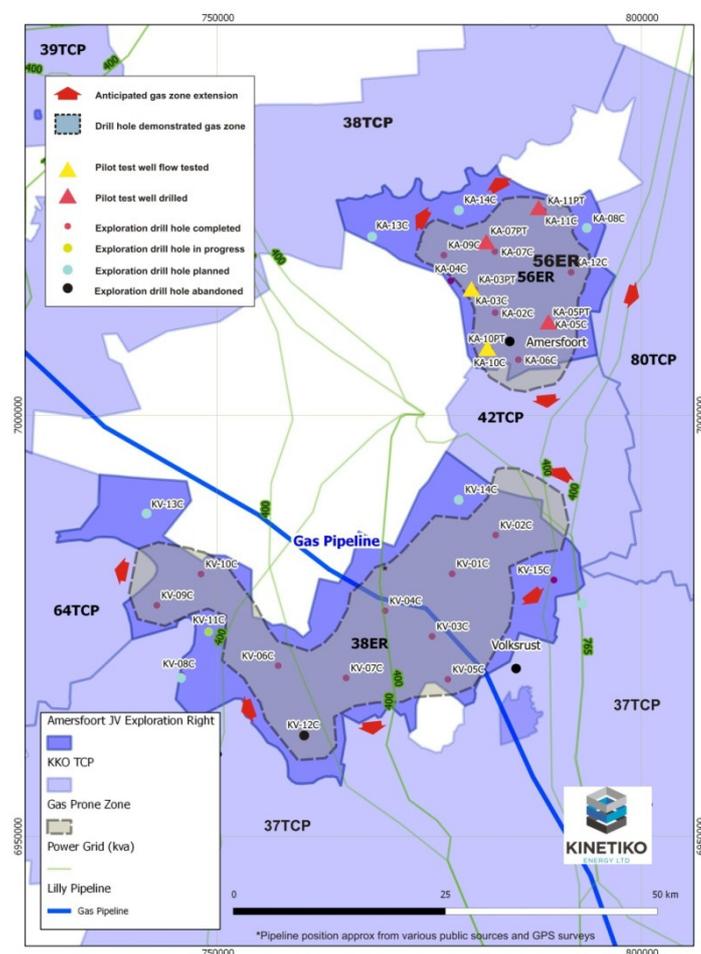


Figure 1 - Amersfoort Project exploration program potential

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

For the year to 30th June 2013, Kinetiko estimate that Badimo Gas is liable to fund \$1.5m of exploration expenditure on the Amersfoort project under the Joint Venture agreements. Kinetiko is funded until April 2014 assuming contributions by Badimo Gas are met.

Notwithstanding negotiations over funding cash calls to date, Kinetiko and Badimo Gas are planning the exploration program and budget commencing 1st July 2013 to incorporate delays on Phase 2 and a new Phase 3 in Q1 2014) it could cost \$8.0m (Kinetiko 49%, Badimo Gas 51%). The JV is planning for Production Rights applications 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 9,491Km² is granted and being explored. Kinetiko has applied for two TCPs (Technical Co-operation Permits) over 6,217Km² 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 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 1,601km² 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.

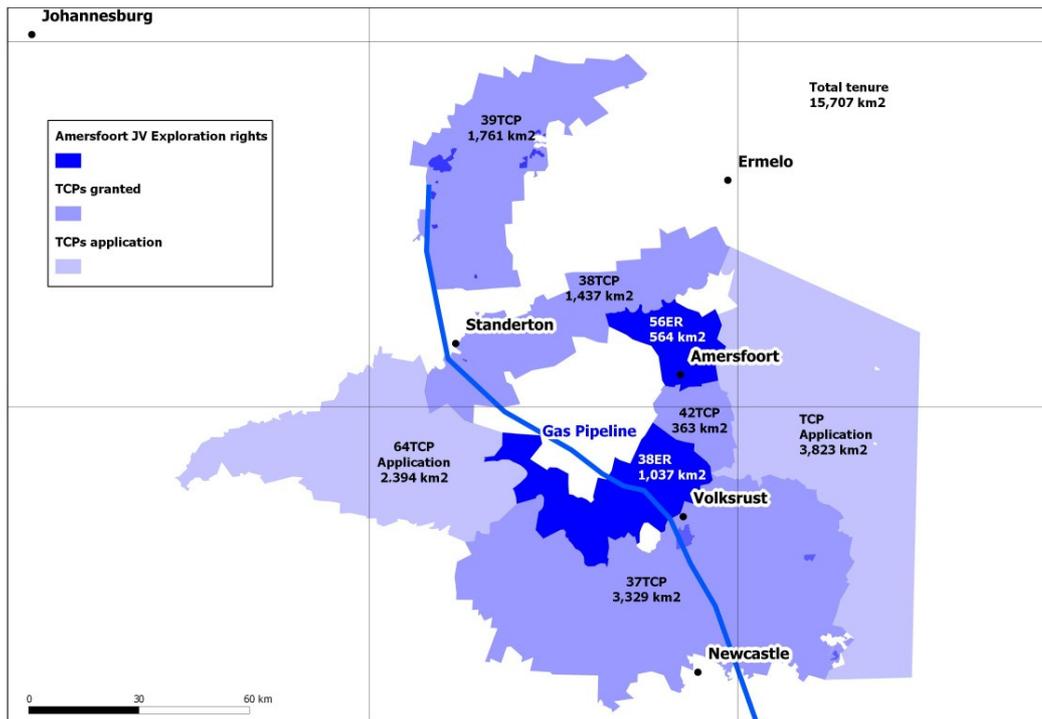


Figure 3: Kinetiko's exploration tenure; granted and under application

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