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**ASX: KKO**

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## **MARCH 2012 QUARTERLY OPERATIONS REPORT**

Perth-based energy exploration company Kinetiko Limited (ASX: KKO) is pleased to report on its activities at the Amersfoort Project in South Africa for the March 2012 quarter.

### **Highlights**

- **Amersfoort Drilling program (Phase 1) now expanded to ten holes;**
  - **Eight holes completed and two additional holes to be completed in May;**
  - **Methane gas desorption from drill core continues to provide encouraging results;**
- **Strong indications of conventional gas in sandstones and coaly sediments mudstones above the target coals;**
- **Possibility of conventional gas addition to resource estimates;**
- **Kinetiko received a Confirmed Discovery of Contingent Resources P50 estimate of 1.12tcf (trillion cubic feet) based on drilling three exploration holes at Amersfoort;**
- **Geophysical surveys completed over four areas;**
- **Kinetiko broadens plans to include up to eight pilot production Wells on the Amersfoort tenement – expected to commence July 2012;**
- **Exploration drilling program at Volksrust expected to commence in May;**
- **PASA (Petroleum Agency of South Africa) accepts Kinetiko's fourth Technical Commercial Permit (TCP) application for 363km<sup>2</sup> of prospective ground adjoining existing Amersfoort Project exploration licences;**
- **Kinetiko's potential exploration area now totals 16,998km<sup>2</sup>.**

## **Amersfoort Project Operations**

PERTH-based energy exploration company Kinetiko Limited (ASX: KKO) is pleased to report early success from its initial exploration program underway at the Amersfoort Coal-Bed Methane Project in South Africa.

The Amersfoort project is located 250km east of Johannesburg. The project covers an area of 1,874km<sup>2</sup> and is underlain at depths of 250 to 400m by the coal measures of the Eastern Transvaal Coalfields. The coals are known to be gassy and the area is considered highly prospective for coal bed methane (CBM) production.

Kinetiko has completed eight exploration core holes in the northern Amersfoort exploration licence (56ER). An additional 2 holes on the same license will be completed during May prior to commencement of an eight hole program on the southern Amersfoort licence (38ER).

Methane gas desorption from drill core continued to provide very encouraging results. Strong indications of gas were also widely encountered in coaly sediments and sandstones above the coal seams. Spontaneous gas flows were also observed in several drill holes and hole KA-06 has been flaring gas since December.

Independent consultants Gustavson and Associates reviewed exploration results up to the end of February and concluded:

- Data from three of the first four holes completed in the eight-hole drilling program substantiated the likely existence of a P50 Contingent Resource estimate of 1.12 trillion cubic feet (TCF) of gas.
- Preliminary petrophysical analysis of wireline logs from the KA-02, KA-04, and KA-06 wells suggests conventional gas may be present in some sandstone and mudstone intervals above and in addition to CBM.
- While conventional gas was not included in the current contingent resource calculations it would be considered when more data was available as it could be a significant contribution to the Amersfoort gas resources.

In the March quarter geophysical (ground magnetometer) surveys were completed over four proposed pilot production well sites to optimise location.

In March, Kinetiko's fourth application for a Technical Commercial Permit (TCP) was accepted by PASA. This 363km<sup>2</sup> TCP links the granted Amersfoort Project exploration licences.

- The Company's potential exploration tenure now totals 16,998Km<sup>2</sup>.

## **Amersfoort Project plans for the next six months**

The exploration drilling program at Amersfoort (56ER) has expanded to include two additional exploration drill holes. Drilling is underway and the holes will be completed during May.

Following from the successful exploration drilling to date on the northern Amersfoort licence (56ER) up to eight pilot production wells (permeability tests) will be drilled. Detailed planning

and sourcing of equipment has commenced. Drilling and pilot production testing will commence in mid 2012 these are expected to commence mid-2012. The aim of these exploration phases is to improve Resource/Reserve estimates.

Kinetiko plans to commence an eight-hole exploration program on the Volksrust tenement (38ER) mid-2012. Once complete, Kinetiko will initially conduct two pilot wells on the Volksrust tenements in early 2013.



**Figure 1: Flaring of spontaneous gas flow from KA-06 (since December 2011)**

## About the Amersfoort Project

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

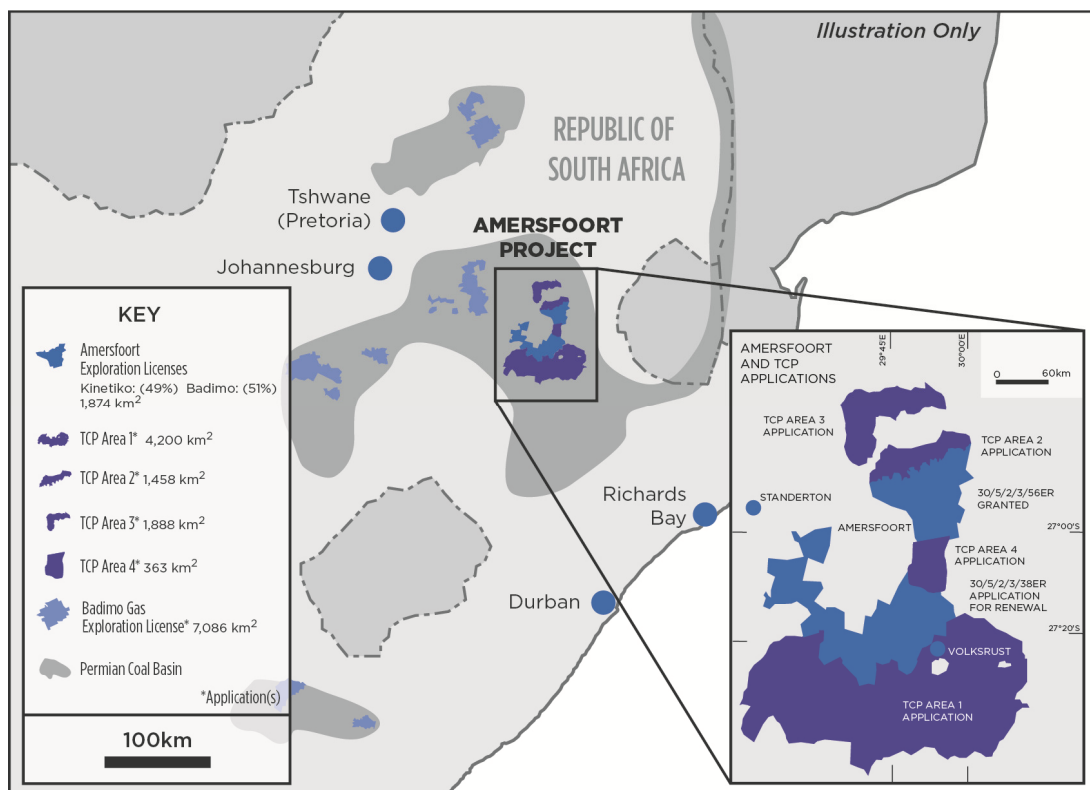
Kinetiko has 49% interest in two onshore gas licences in the Amersfoort area covering 1,874km<sup>2</sup> under a Farm Out agreement with South African company Badimo Gas Ltd. Kinetiko is the operator of these licences.

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

## About Kinetiko Energy

Kinetiko Energy Limited (ASX: KKO) is an Australian company focused on advanced coal bed methane(CBM) opportunities in rapidly developing gas markets in 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 and in close proximity to major population centres.



**Figure 1: Kinetiko's land tenure potential in South Africa – granted and under application.**

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