



Unconventional gas potential in South Africa and Lessons from CBM Exploration

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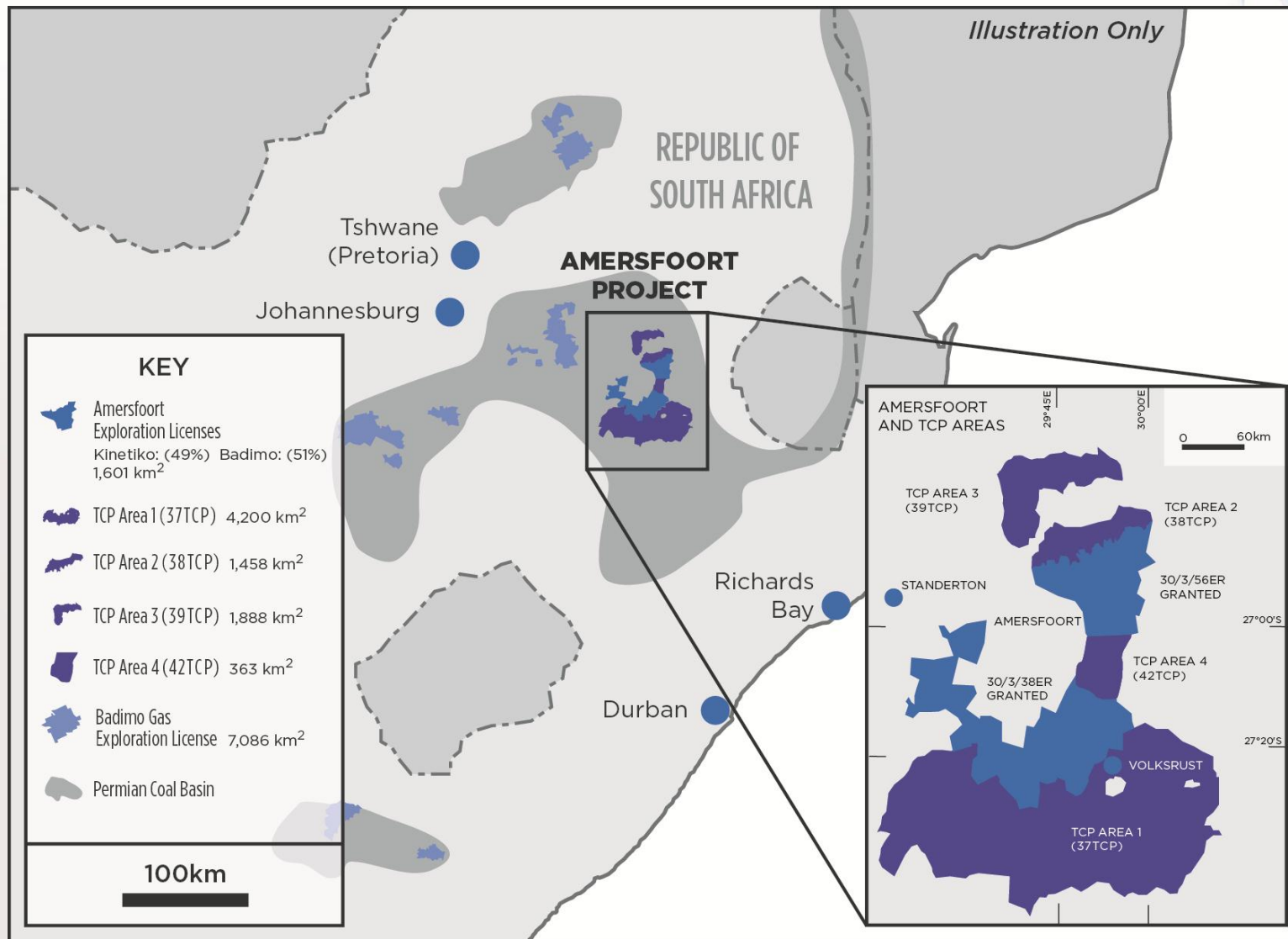
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- ◆ Amersfoort Project
- ◆ Lessons learnt to date
- ◆ Gas and Exploration trends

Kinetiko Energy – ASX listed & significant early mover

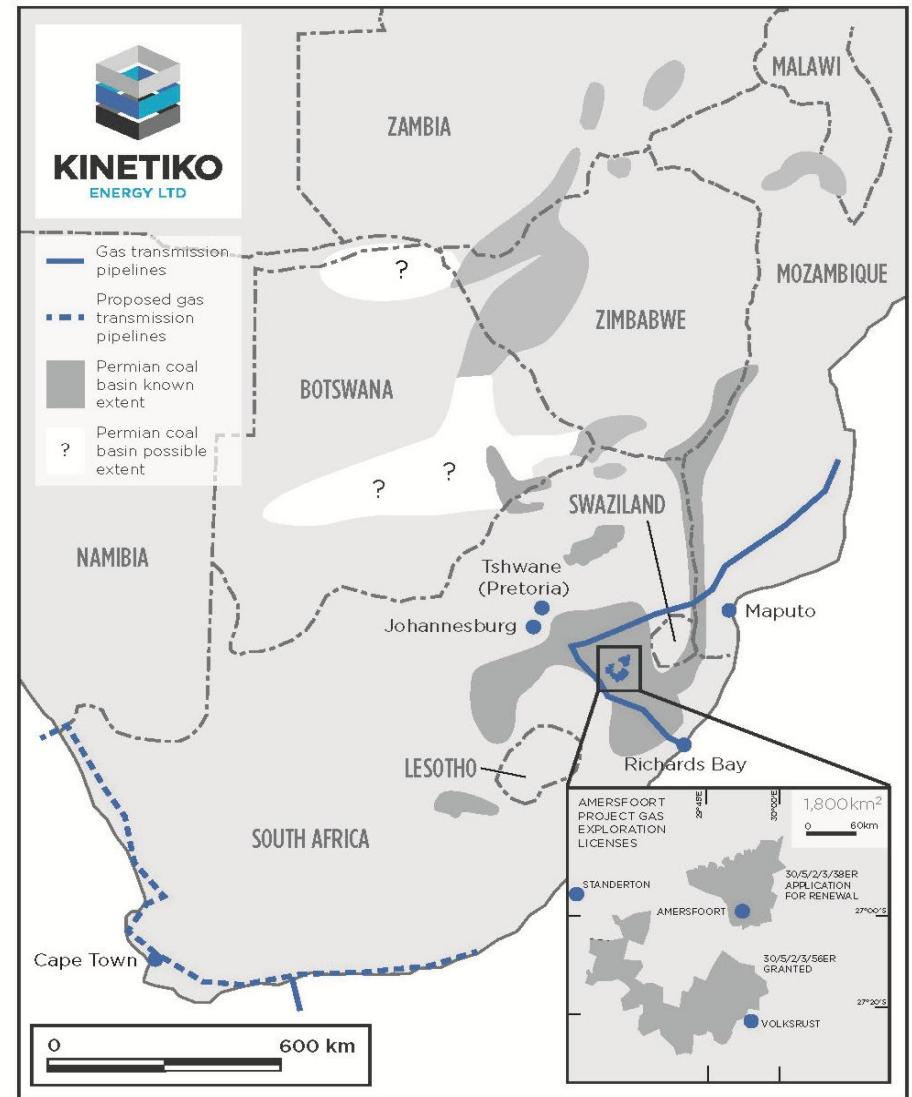


The Amersfoort Project

- ◆ The Amersfoort Project has 2 exploration rights over 2 tenements - covering 1,612km²
- ◆ Great neighbourhood (gas demand centres & existing infrastructure)
- ◆ Independent O&G consultant Gustavson

Associates estimated:

- ◆ Gas in place (GIP) 1.7tcf
- ◆ Contingent Resource of 1.1tcf (P₅₀)



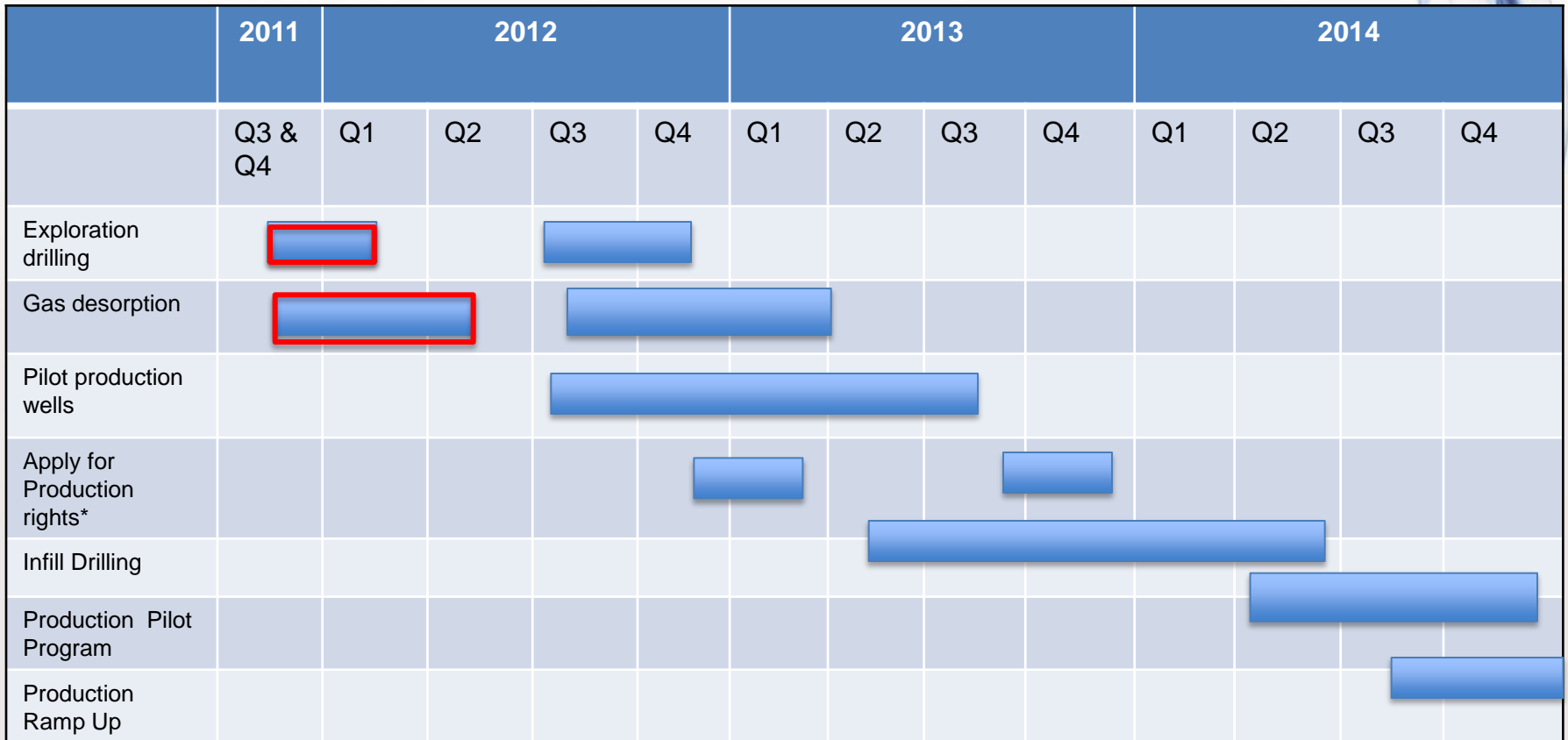
The Amersfoort Project

Aim: improve Resource & Reserves within 18 months

- ◆ Significant land position 1,601Km² in high gas demand area
- ◆ 800+ existing exploration drill holes in the Amersfoort area
- ◆ Commercially and technically astute partnership with JV partner
- ◆ No “fracking” – these are high permeability targets!
- ◆ Major commercialisation potential angles
- ◆ Safe, environmentally aware corporate citizens – building credibility

Amersfoort Project Proposed Timeline

Strong progress made to date since ASX Listing (Q3 2011)



Key

 Completed

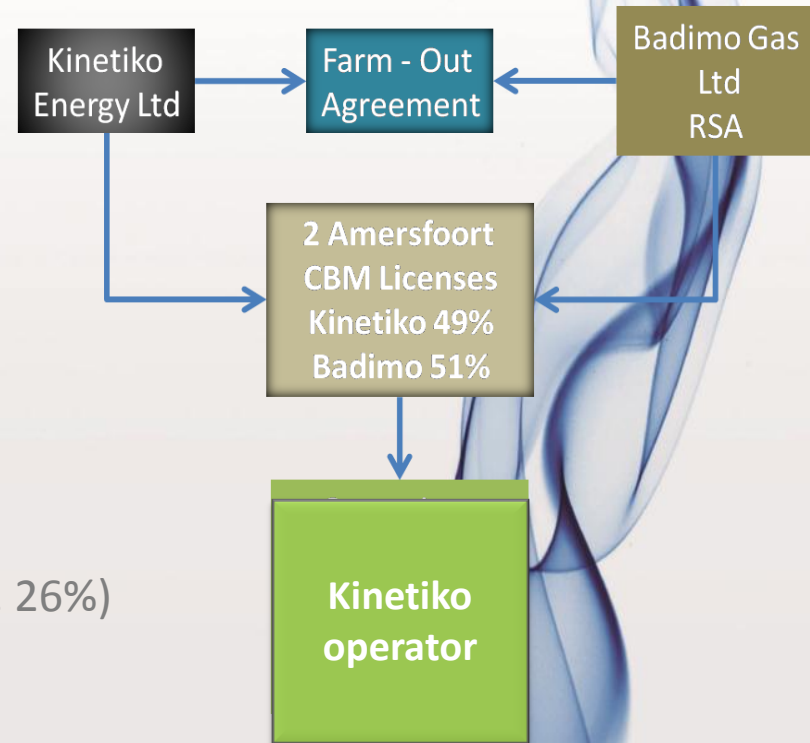
* Dependent on Pilot Production wells

Highlights

- ◆ Amersfoort Project (Kinetiko 49%) Prospective Resources **Gas In Place (GIP) 1.7tcf**
- ◆ Other Kinetiko land (Kinetiko 100% TCPs) Prospective Resource **GIP of 9.3tcf (P₅₀)**
- ◆ Amersfoort exploration drilling has completed 10 holes to date
- ◆ Encouraging CBM data and strong indications of conventional gas above CBM
- ◆ Pilot production wells – commencing by September 2012
 - ◆ Confident of booking 3P Reserves from pilot production wells
- ◆ \$5m cash and fully funded next 14 months

Structure of the Amersfoort Project JV

- ◆ Section 11 granted in May 2011
- ◆ Amersfoort Tenure registered
 - ◆ Kinetiko 49% equity (JV Operator)
 - ◆ Badimo 51% equity
- ◆ Kinetiko to spend first AUD\$4m
 - ◆ Reimbursed past costs to Badimo
- ◆ Option to increase equity (BEE must hold min. 26%)



Amersfoort Exploration

Aim: improve Resource & Reserve definition for 56ER and 38ER

Exploration Phases (min commitment)

1	8 Exploration Drill Holes in 56ER
2	8 Exploration Drill Holes in 38ER
3	2-3 pilot production wells in 56ER
4	2-3 pilot production wells in 38ER
Ongoing	Water Management & Hydro census underway



Amersfoort Exploration results to date

- ◆ Sub Bituminous coal to 5m cumulative thickness, plus gassy mudstones
 - ◆ Depth ~400m and strong indications of good gas content and saturation
- ◆ 148 core samples (desorption) to date from 8 core holes
- ◆ High permeability
- ◆ Wireline logging and early water quality testing
- ◆ Very encouraging results:
 - ◆ Coal seams & thick carbonaceous mudstones
 - ◆ Strong indications of conventional gas capped by dolerite sills
 - ◆ Gas being still being flared from KA 06
 - ◆ Conventional gas **was not included** in existing Resource estimates



KA06 360m - controlled flaring of spontaneous gas flow

Kinetiko Operations



Commencement of drilling



Coring rig operating



Drilling Hole KA-03



Gassy carbonaceous
Mudstones KA04



KA02 Gassy coal sample
(311m)



Core into sealed
containers



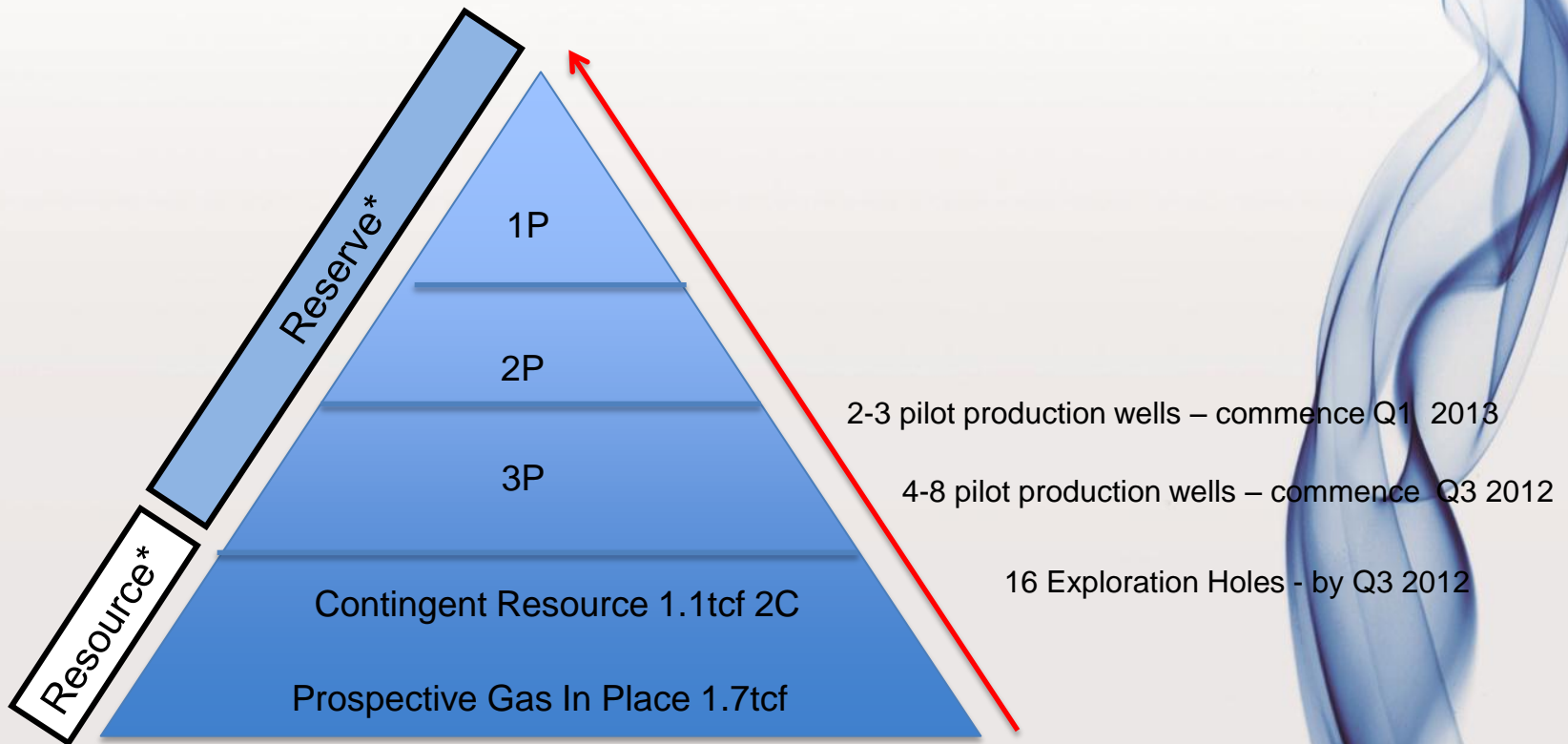
Desorption baths



KA06 controlled flaring
spontaneous gas

Exploration Program will Improve Project Certainty*

Pilot production wells (permeability tests) are key to proving “Reserves”



*SPE Petroleum Resources Management System (PRMS)

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Illustration only

Commercialisation – selecting the right customers

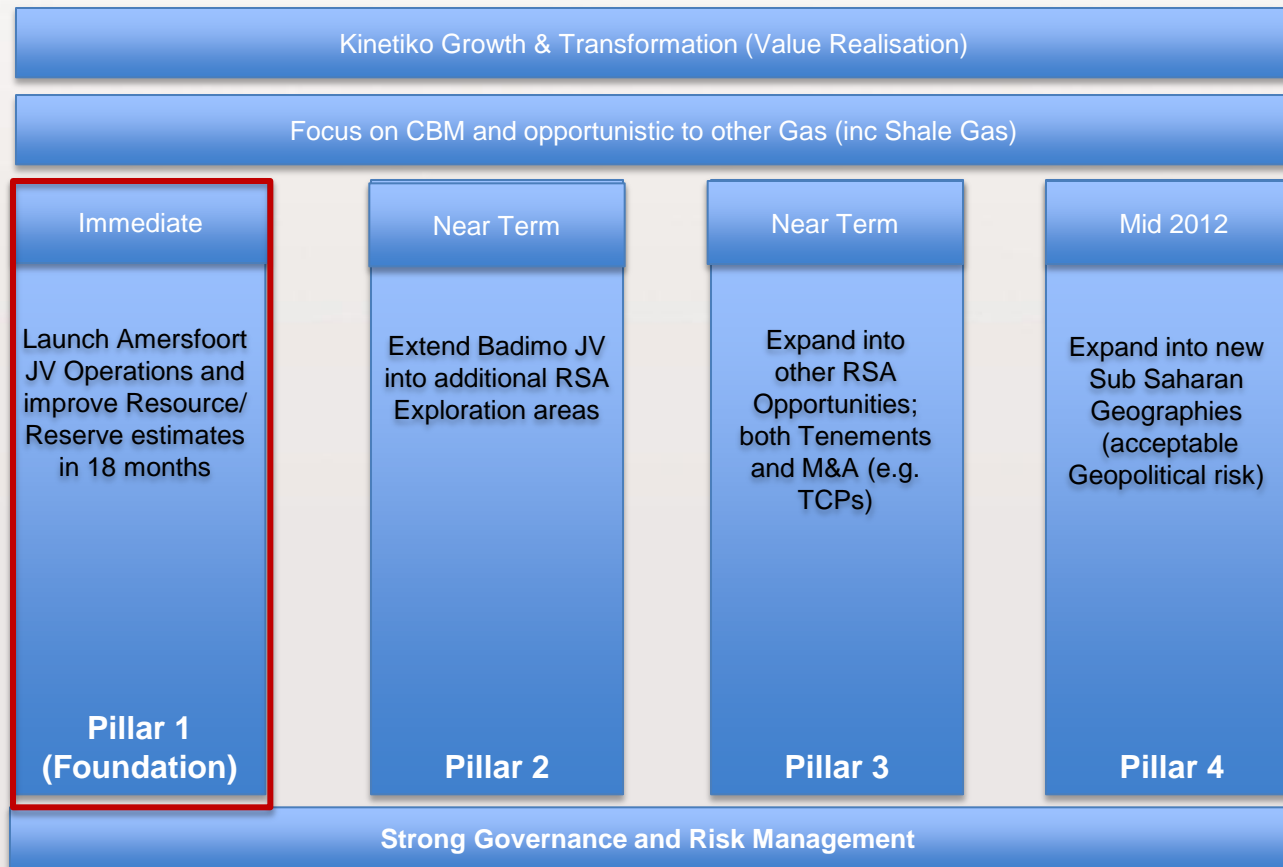
Gas Commercialisation Options		Attractiveness
CNG to Eskom Majuba Power station	State owned Monopoly - requires flame modulation in existing coal fired power plants. Majuba is ~6kms from tenement	✓
CNG to Eskom's new or existing facilities	Coal, Gas and coal (cogeneration) facilities	✓
CNG to IPPs (independent Power Producers)	New entrant growth	
CNG to SASOL	Supply feed to existing gas and GTL (gas to liquids) Syn Gas plants	✓
CNG to nearby Industrial/Resources companies	TBC	✓
CNG via pipelines or road to other customers e.g. Local communities	CNG to centralised facilities	✓
Create Mini LNG or LPG	Mix with higher calorific gas TBC	
Supply Electricity	Supply into the existing transmission grid, Eskom or IPPs	✓

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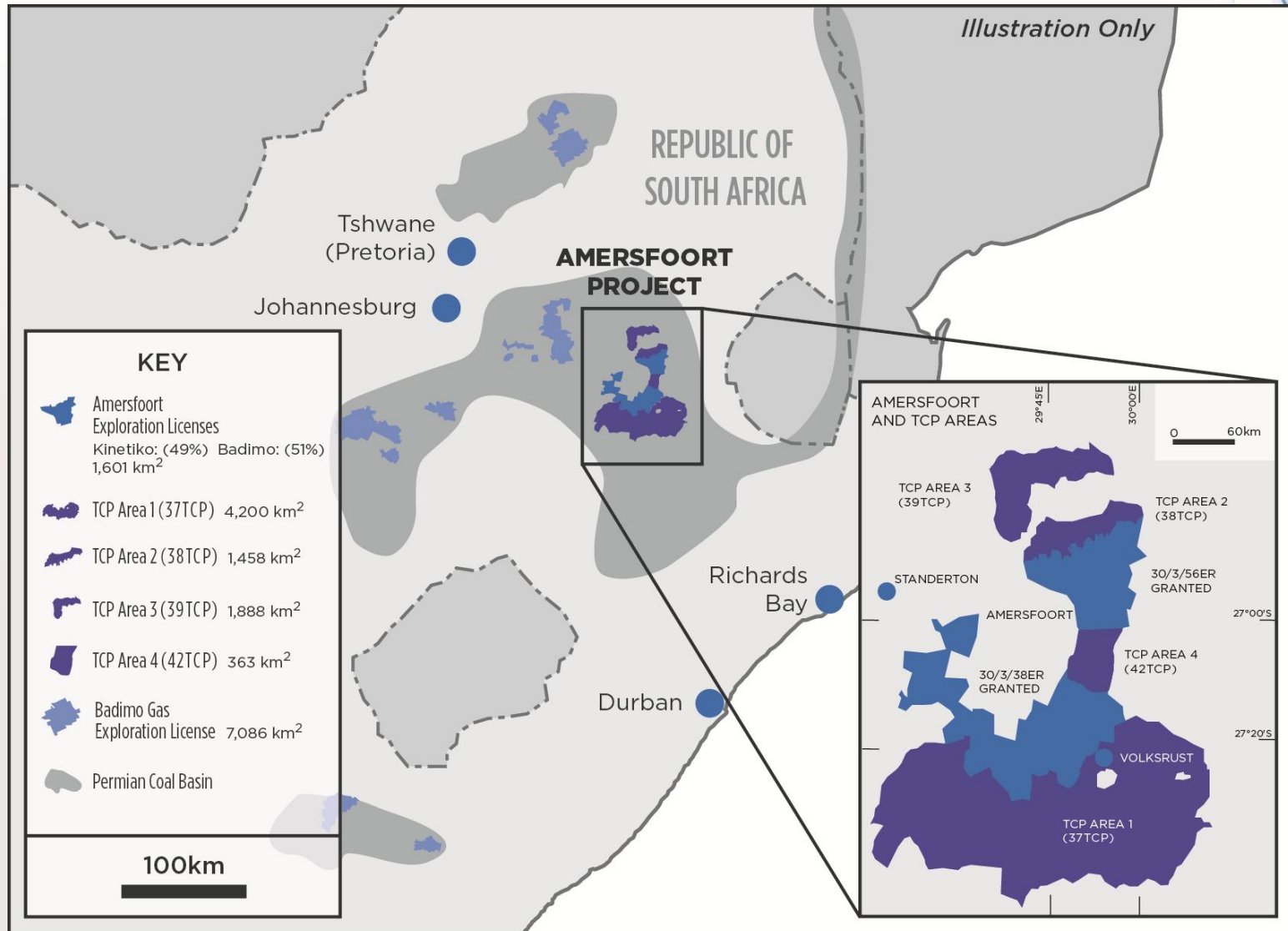
- ◆ Amersfoort Project
- ◆ Lessons learnt to date
- ◆ Gas and Exploration trends

Lessons learnt – focused Strategy

Our 5 Year Strategy is to focus on CBM Exploration and selective targeting of other gas opportunities. Our Strategy is comprised of Four Pillars, see below.



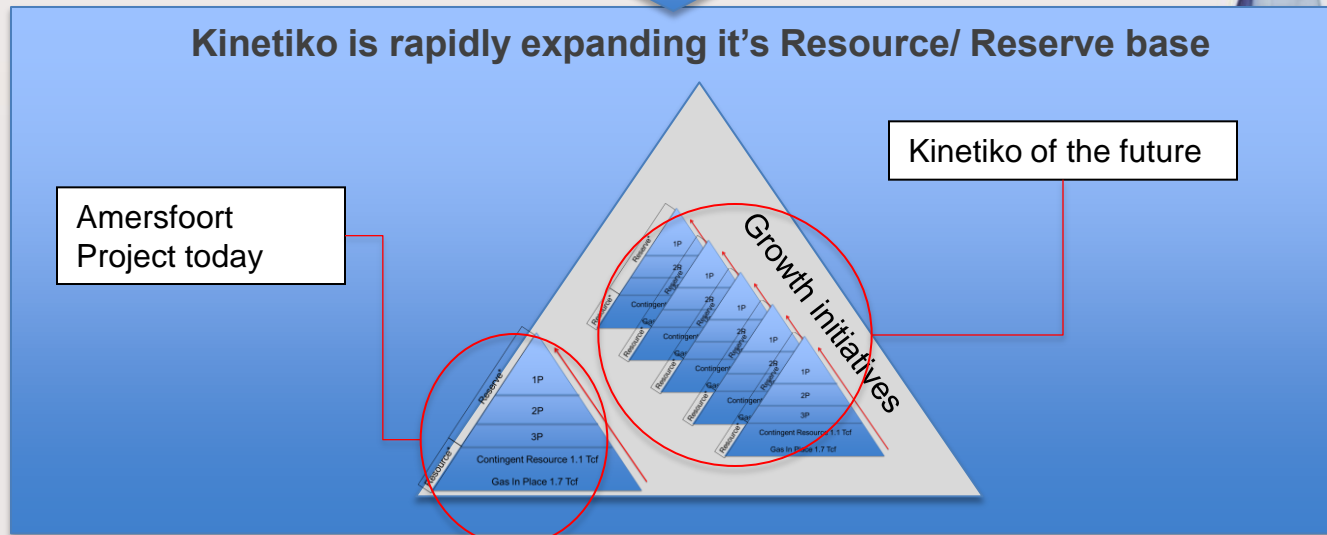
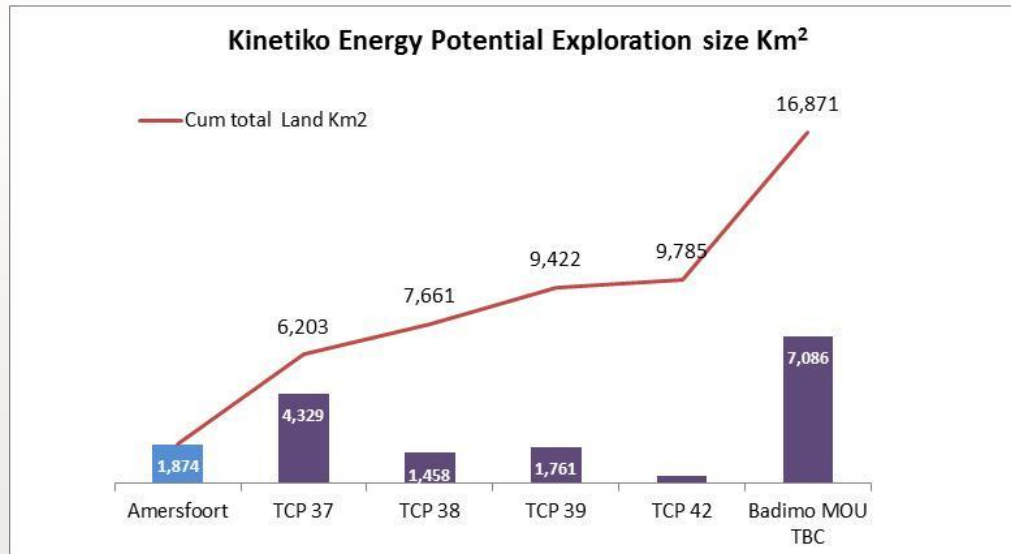
Lessons learnt – Growth from Amersfoort



Lessons learnt - Growth

- ◆ The way we've explored Amersfoort has confirmed our credibility
- ◆ Independent O&G (Gustavson Associates) assessed Kinetiko's 4 TCP areas (7,911Km²):
 - ◆ Prospective Resource of Gas In Place (GIP) estimate of **9.3tcf** 2C
 - ◆ Kinetiko has 12 months to perform desktop studies and the first rights to apply for exploration rights
- ◆ These new areas cover Karoo coal basin areas highly prospective for gas

Lessons learnt - Growth and scale



Lessons learnt – it's more than ticking boxes

*Kinetiko has a strong foundation & an attractive growth potential	
Amersfoort Project GIP 1.7tcf	✓
Kinetiko (100% owned) land (TCP) adds extra GIP 9.3tcf	✓
Strong JV Partner (and new project potential)	✓
Local and Regional Market Demand	✓
Upward South African Domestic Gas Prices	✓
Commercialisation Options – great neighborhood	✓
Strong Management Team and Technical Team	✓
KKO exploration growth since IPO (July 2011)	✓

*Source: Gustavson Associates, prospectus, website

Lessons learnt - key to success

- ◆ CBM is a **new frontier** for South Africa and could be world class
- ◆ The **right** JV partner
- ◆ Teaming with flexible local contractors and up skilling
- ◆ Landowner relationships remains the **key**
- ◆ Replace environmental fears (myths) with facts
- ◆ Constructive working relationship with Regulator
- ◆ **Small careful** steps to prove commercial potential

Its all down to Geology, as it should be!

Lessons learnt - key to success

- ◆ Amersfoort project progress, safety & environment builds **credibility**
- ◆ Kinetiko increased exploration area to 16,000Km² in 1 year
- ◆ **Blend** mining and O&G exploration approaches
 - ◆ Don't overlook shallow conventional gas
 - ◆ Use photographs and video
 - ◆ Identify and import equipment early
- ◆ Igneous intrusions **can be** useful!
- ◆ Bring in **right** experience and blend a broad team (26 people)
- ◆ Lots of face time!

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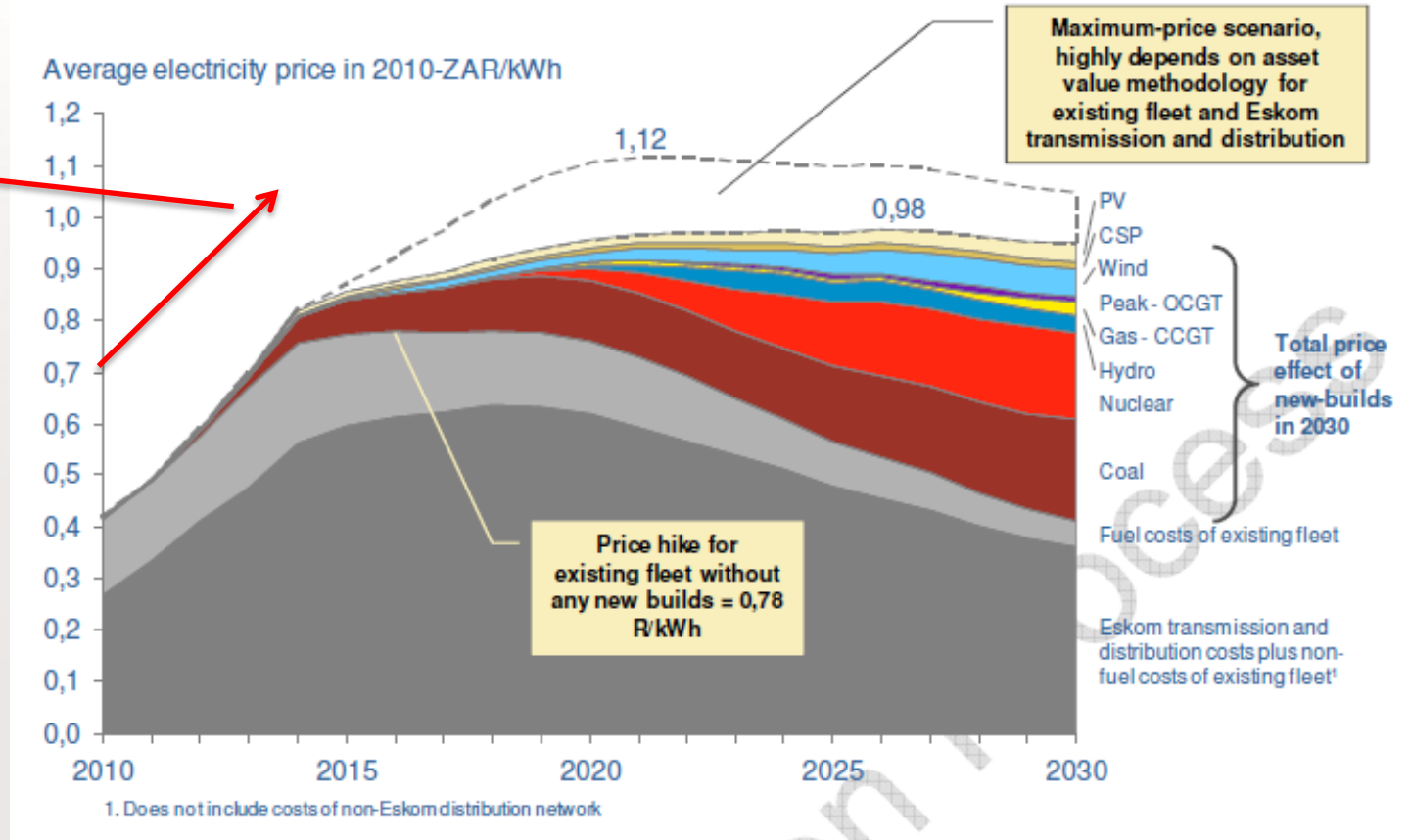
Gas trends - South Africa Needs Energy & Gas

- ◆ Intensive power demand exceeds supply (crisis looming)
- ◆ South Africa generated 34GW (2011) and up to 80GW forecast 2030
 - ◆ Coal mining supplies ~90% of energy, costs are rising
 - ◆ Little Domestic Gas availability – price increasing from ~\$10/GJ
- ◆ Government policies for augmenting gas now enacted
 - ◆ Increased need for **gas** in existing coal power generation
- ◆ Gas is the clean, viable alternative (especially for peak demand)!

* Source: Eskom and South Africa's Integrated Resource Plan to 2030 (dated 2011):

Gas trends - South Africa Electricity Demand*

Prices doubling in 4 years*



Base case Gas price ~\$10/GJ and High case of ~\$20GJ*

* Source: Eskom and South Africa's Integrated Resource Plan to 2030 (dated 2011):

Gas trends - South Africa Markets

- ◆ Gas is currently 5% of energy mix but gas need is increasing fast !
- ◆ Ten of RSA's largest coal fired power stations within 250kms of Amersfoort
- ◆ Eskom seeking gas /coal co -fired to meet increased efficiency and environmental trends
- ◆ Sasol imports gas from Mozambique via a 900km pipeline
 - ◆ Sasol operates Secunda and Sasolburg, coal and gas to liquids (GTL) plants.
 - ◆ Secunda is 90km NW from Amersfoort , Sasolburg 80km south of Johannesburg
- ◆ Majuba (4,100Mw) is located next to Amersfoort project and trialling co-firing via gas flame modulation and needs gas!



Secunda



Majuba

Gas and Exploration trends

South Africa

- ◆ Orange basin (offshore) & shale gas moratorium
- ◆ Karoo Basin CBM is low hanging fruit
- ◆ Onshore Regulation slowly catching up

Botswana & Namibia

- ◆ Governments encouraging investment in CBM
- ◆ Sasol Origin JV Entry
- ◆ Coal assets but uncertain gas content

Mozambique

- ◆ High degree of mining activity and Anadarko/ENI discoveries

Zimbabwe

- ◆ Good assets but sovereign /economic risk remains.

Gas and Exploration trends

Nb. CBM is unconventional here

- ◆ **Blend** mining and O&G approaches
 - ◆ Exploration strategy
 - ◆ Utilise in country mining expertise and rigs
 - ◆ Don't just look for CBM (e.g. wireline)
 - ◆ Consult with Government authorities
 - ◆ Pay due attention to **water** at the exploration drilling stage
- ◆ Research pilot production wells and completion strategies **early**
 - ◆ Procurement - Long lead items
- ◆ Australian and US O&G CBM- best practice
- ◆ Consult, Consult, Consult!

Any Questions?

