

[For Immediate Release]



Kinetic Mines Announces 2013 Interim Results

Dafanpu Coal Mine has been put into commercial production Laying a Solid Foundation as a Leading Integrated Coal Operator in China

(22 August 2013, Hong Kong) **Kinetic Mines and Energy Limited** (“Kinetic Mines” or the “Group”; stock code: 1277), a coal mining player primarily operating the Dafanpu Coal Mine in Zhunge’er Banner, Erdos City, Inner Mongolia in China, today announced its interim results for the six months ended 30 June 2013.

As a result of persistent efforts, the Group has made a few significant achievements in the first half of 2013. During the six months ended 30 June 2013, the Group obtained government approvals for the mining design of the No. 6 coal seam of the Dafanpu Coal Mine, as well as the permits and approvals required for the Xiaojia Station and its associated rail spur lines. Xiaojia Station, of which the Group holds 45%, and its associated rail spur lines commenced operation during the period under review. The first loaded coal train departed from Xiaojia Station for Qinhuangdao on 21 August 2013, which marked a significant moment in the Group’s development.

With Xiaojia Station, the Group is able to transport self-produced coal products and those procured from third-party to Qinhuangdao, thereby strengthening the Group’s coal trading business in Qinhuangdao as well as lowering the Group’s unit transportation costs from Zhunge’er Banner to Qinhuangdao. Since the coal prices at the Qinhuangdao port are higher than the mine gate prices at Inner Mongolia, the Group will expand its coal trading business in Qinhuangdao through the Xiaojia Station, in a bid to improve the per tonne selling price and gross profit margin of coal products.

Turnover of the Group for the six months ended 30 June 2013 increased to RMB48.5 million from RMB1.0 million for the six months ended 30 June 2012 following the commencement of commercial production of the Dafanpu Coal Mine in the end of December 2012. For the six months ended 30 June 2013, loss attributable to equity shareholders of the Company amounted to RMB72.1 million.

In order to increase the production capacity, the Group is actively carrying out the preparatory work for the mining of the No. 6 coal seam of the Dafanpu Coal Mine. The approvals for the coal mining design plan of the No. 6 coal seam were already granted during the period under review. No. 6 coal seam is the best coal seam at the Dafanpu Coal Mine. The Group is now constructing the longwall top coal caving system for the No.6 coal seam, which is expected to be completed in the early fourth quarter of 2013. After the commencement of commercial production of the No. 6 coal seam, the Group will be able to boost its production capacity to 5 million run-of-mine tonnes of coal per year. Given the minable portion of the No.6 coal seam has higher quality than those of the No.5 coal seam

which is currently under mining, the Group expects that the average washability yield and production volume of fine coal at the Dafanpu Coal Mine will surge as soon as the No.6 coal seam commences commercial production. The production cost of coal products per tonne will then decrease accordingly. Based on the preliminary estimation by the Group, the average washability yield of the No.6 coal seam can reach 70% or above.

Looking forward, the Group will continue to identify high-quality and appropriate mining projects for investment according to the Group's core strategy of increasing coal resources and reserves. Although China's thermal coal prices continued to endure downward price corrections since the second half of 2012 and inventory levels at the Qinhuangdao Port and other major coal ports continued to rise, coal remains a strategic resource on which the country depends for sufficient energy and power supply. As such, the Group is cautiously optimistic about the long-term development of the country's coal industry.

Mr. Zhang Li, Chairman of the Group, said, "Dafanpu Coal Mine has been put into commercial production, indicating that there will be tremendous room for the Group to grow. Going forward, we will continue to focus on strengthening the management and execution of commercial production in the Dafanpu Coal Mine and the coal trading business in Qinhuangdao. Currently, many domestic mining companies with backward production capacity have been forced to shut down their production as a result of lower coal prices, and valuations of coal mines have become attractive. Since the authorities continue to encourage the industry's consolidation, we believe that it is opportune to enhance our coal resources and thus consolidate our position in the country's coal market. We will take the initiative to identify new quality coal investment projects so as to increase coal resources and coal reserves with an aim to attain a more dominant position in China's coal market and ultimately deliver fruitful rewards to our shareholders."

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About Kinetic Mines and Energy Limited

Kinetic Mines currently operates Dafanpu Coal Mine located in Zhunge'er Banner, Erdos City, Inner Mongolia, China. It strives to become a leading privately-owned integrated coal provider in China with mining, processing and trading capabilities, contribute to China's energy development and firmly grasp the enormous development potentials in China's growing energy market.

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