

[For Immediate Release]



Kinetic Mines Announces 2012 Annual Results

Dafanpu Coal Mine Successfully Commenced Commercial Production Laying a Solid Foundation as a Leading Integrated Coal Operator in China

(22 March 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 annual results for the year ended 31 December 2012.

The year of 2012 is a truly remarkable year in the Group's corporate history. The Group obtained a safety production permit (安全生產許可證) and a production permit (生產許可證) for the Dafanpu Coal Mine on 18 December 2012 and 25 December 2012 respectively, which allows the Dafanpu Coal Mine to move from trial production stage to commercial production stage. This marked an important milestone for the Group, laying a solid foundation for business growth in the future.

In addition, the construction of the loading station “Xiaojia Station” with the associated rail spur lines (with 45% interest) has been completed. With Xiaojia Station and its associated rail spur lines, the Group will have the rail capacity needed to transport coal products from Xiaojia Station along the Nanping Rail Line to Qinhuangdao in Hebei, China's largest transshipment port. Upon commencement of operations, Xiaojia Station will have a handling capacity of 15.0 million tonnes per year. Further, the Group has set up a coal trade centre in Qinhuangdao and obtained the relevant coal sales and trade permits. As a result, the Group can source coal from other coal mine operators and resell to customers through its integrated supply chain, so as to meet the demand for coal products of different customers in different environments.

For the year ended 31 December 2012, the Group recorded turnover of RMB31.7 million following the commencement of trial production of the Dafanpu Coal Mine in 2012 and recorded consolidated total comprehensive loss attributable to equity shareholders of the Company of RMB115.1 million (2011: RMB42.8 million). The increase in loss was mainly attributable to the increase in administrative expenses as a result of the appointment of additional management and professionals to cope with the Group's business expansion and trial production of the Dafanpu Coal Mine.

In order to fortify the business development of the Dafanpu Coal Mine, the Group has engaged the Coal Mine Research and Design Institute of Inner Mongolia to formulate a detailed research and design (“R&D”) plan on the mining of the No.6 coal seam of Dafanpu Coal Mine, where the richest coal resources are to be found. As at 31 December 2012, the R&D plan was substantially completed and the Group is currently in the process of refining the development plan for the No.6 coal seam.

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Looking forward, the Group will continue to identify quality and suitable coal investment projects, with the increase in coal resources and coal reserves as its core strategy, and allow further integration of the Group's business to achieve synergies and economies of scale. On 9 March 2012, the Group entered into a purchase option agreement entitling the Group the right to acquire 85% of equity interest in Guizhou Fuliang Mining Limited, which is in the process of obtaining mining rights to the Yangmei Longtai Coal Mine through its wholly-owned subsidiary Guizhou Yangmei Longtai Coal Limited.

Mr. Zhang Li, Chairman of the Group, said, "It is encouraging that we have made significant progress in driving the development of the Dafanpu Coal Mine during the year. Looking ahead, we will focus on strengthening the management and execution of commercial production in the Dafanpu Coal Mine, the development of Xiaojia Station as well as the coal trade business in Qinhuangdao. We are formulating plan on the mining of No.6 coal seam, the richest coal seam of Dafanpu Coal Mine. Meanwhile, we also take the initiative to identify new quality coal investment projects so as 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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