



A company registered in Papua New Guinea

31 July, 2018

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD: 1st April 2018 to 30th June 2018

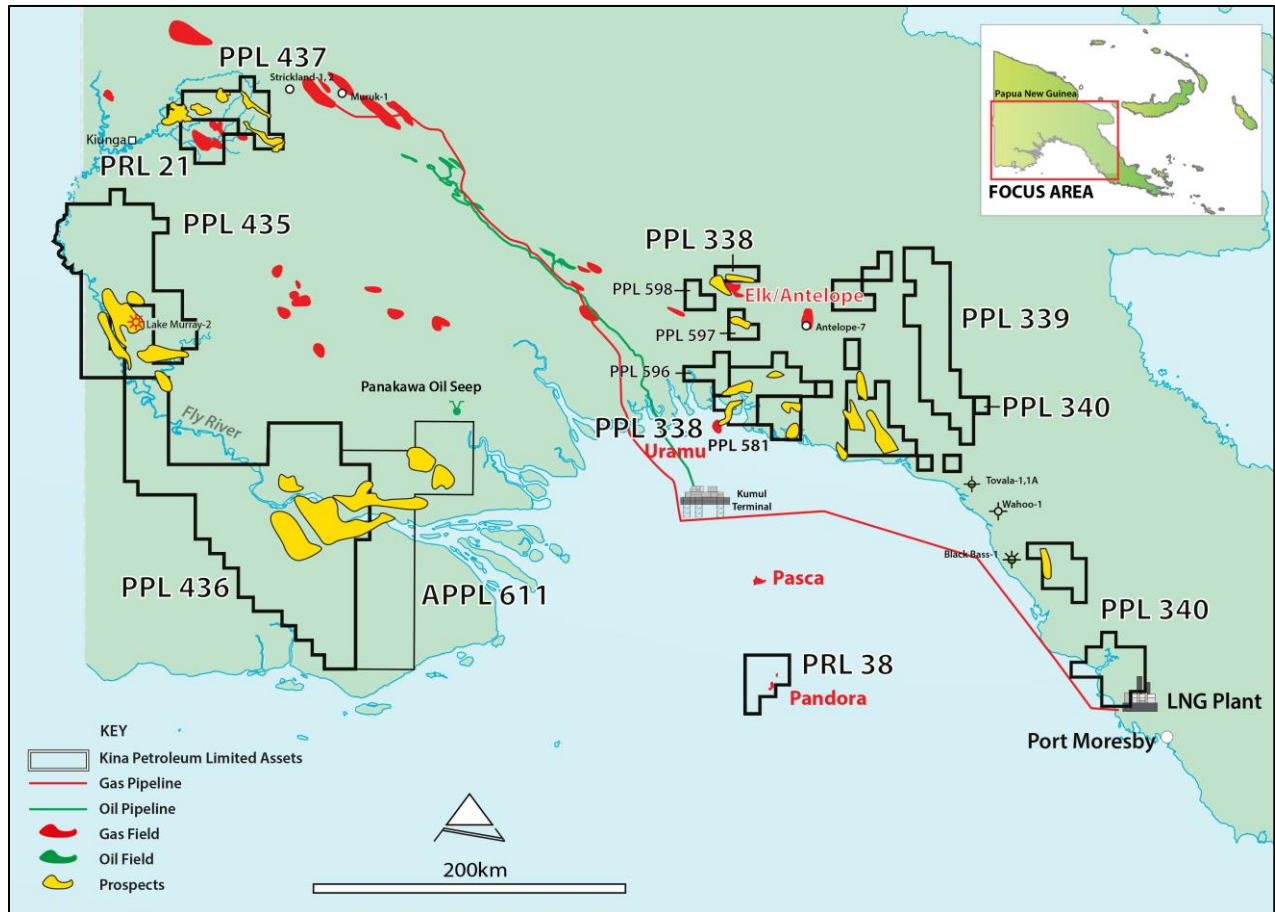
Highlights and Summary for the Quarter

- **PRL 21** – Kina concluded a resource certification exercise for the licence, with a 2C Contingent Resource of 1.1 TCF of gas and 48.3 million barrels of condensate noted (see release of 18 June 2018). Kina’s independent analysis suggests these quantities are capable of supporting a robust liquids and phased small–mid scale LNG project at prices equivalent to, and lower than, those prevailing at the date of this report and which could be producing by the early 2020s.
- **PRL 38** – Kina announced a 2C Contingent Resource for PRL 38 of 900 BCF of gas. Around the range of current prices this quantity is ideal for a future (offshore) aggregated LNG development. Once Kina can demonstrate a development strategy, appraisal drilling on the Pandora gas fields can be planned.
- **PPL 338, 581, 596, 597 & 598** – Kina intends to acquire full spectrum airborne gravity, gradiometry and magnetic data over these licences. Kina’s analysis of seismic and well data has identified seven viable prospects & leads either along trend or in the shadow of the Elk/Antelope fields. The aerial data will be used to rank prospects prior to seismic acquisition.
- **PPL 339** – Kalangar and Eclectus are located along the trend of the western flank of the Aure Trough. Nearby oil and gas seeps high grade the area and the Joint Venture will evaluate the most appropriate means of high-grading the prospects in advance of seismic acquisition.
- **PPL 340** – The Lizard structure is a large oil and gas prospect close to Port Moresby. Kina intends running a soil gas geochemical survey over the prospect in advance of planning line locations for a possible seismic survey.
- **PPL 435 & 436** – Alligator and Aiambak structures are large oil and gas prospects located at either end of the Fly Platform. The Aiambak area has previously exhibited soil gas readings and Kina is evaluating soil gas technology as a ranking tool in an effort to reduce the cost and size of seismic surveys required to delineate a future seismic survey for each prospect.
- **PPL 437** – The Malisa Prospect is recognised as drill-ready, however future drilling is dependent on the development of the Elevela and Ketu fields in PRL 21.

Company, PNG and Industry Outlook

Kina Petroleum Limited (ASX: "KPL") has, at the end of this period, participating interests in Petroleum Retention Licences ("PRLs") 21 and 38 and in ten exploration licences (PPLs) across PNG with one APPL pending. Kina has made application for APPL 611 which is an eastern extension of PPL 436.

Map of KPL's licence areas



Snapshot of the Asian and Global Oil and Gas Environment

Given the strength of current oil prices and increasing demand for LNG in the Asian region, there is a strong commercial incentive to monetise the gas and liquids in PRL 21 and PRL 38 in as timely a manner as possible. Investment community consensus suggests optimism about the direction of the oil price given supply side constraints and despite oil prices having slipped in the couple of weeks preceding this report. The Brent forward forecast indicates a near-term price range of US\$60.0-65.0/bbl, while longer term forecasts (i.e. 2021-2022) are ~ US\$70.0/bbl.

In the US, gas prices have recently averaged around US\$2.80/mcf with the EIA predicting Henry Hub gas prices will average US\$2.99/mcf in 2018 and US\$3.07/mcf in 2019. Although future US potential export volumes could supply greater than half the global LNG trade, delivered prices into Asia are likely to be in the US\$7-9/mmbtu range. The economic fundamentals underpinning this price expectation are likely to continue, with a global absence of LNG project investment decisions expected to significantly impact the LNG market and pricing in the medium to long term. There are no projects that can be brought on stream fast enough to fill the supply gap which looms in the early 2020s, so projects that can be brought on stream in the next 2 – 3 years will have a significant economic advantage.

The two near term development candidates in Papua New Guinea are the P'nyang Field which has an upgraded 1C Contingent Resource of 3.5 TCF, and the Elk/Antelope fields. Both are large fields requiring large capital investment and significant time to develop. As a consequence Kina believes an early development of PRL 21 will maximise value for proponents via optimizing the time of entry into the market, ie. ahead of the larger PNG projects being proposed.

Where Kina's licences fit in the PNG picture

In addition to PRL 21's estimated resource, PRL 38 contains a gross 2C contingent resource of 900 billion cubic feet of gas. The resource size would need to increase to be economic on a stand-alone basis and Kina believes, based on well and seismic data, that licence's prospectivity provides the scope for such an increase. That possibility aside, PRL 38's Pandora fields are less than 100 km from the Pasca fields where Twinza is seeking to develop the smaller gas field by exploiting the associated liquids with the gas reinjected for later development. Kina has no participating interest in the Pasca fields, but Pasca and Pandora, combined, have the potential to underpin an aggregated development.

With that in mind we watch progress of development at Pasca with interest, but the Pandora fields have a larger gas content than Pasca and so would likely serve as a foundation resource for any future gas aggregation project. Accordingly, and so as not to leave resources like Pandora stranded, development and exploration objectives for gas development in the offshore Gulf of Papua need to be strategically directed towards confirming the resource threshold that will underpin future and timely development.

Kina's exploration portfolio offers significant upside in PPL 338 and 437 which lie in the shadow of Elk/Antelope and P'nyang respectively. The exploration licences contain upwards of ten prospects with multi-TCF gas potential. That said, the work program necessary to define drilling locations is dependent on seismic surveys and stand-alone seismic programs for prospects in the jungles of PNG are prohibitively expensive. Kina has high-graded its prospect portfolio via reprocessing of legacy seismic data and our present understanding and warehouse of data is underpinned by that effort. However, due to cost considerations Kina is looking at other technologies to help high grade the prospects in advance seismic acquisition. In PPL 338 we are evaluating full spectrum AGG, gravity and magnetic data, in PPL 340 we will look to test soil gas techniques and in PPL 339 the joint venture will review magnetotelluric techniques.

The results of these screening processes will be evaluated and will guide the farm out effort for the exploration licences.

In PPL 435 & 436 we continue to recognise some of the largest basin margin structures in PNG. PPL 435 had a legacy soil gas survey carried out in 1987 which showed anomalous oil prone readings close to Aiambak. The presence of an active oil flow oil at Panakawa and the recognition of oil while drilling Maremsabab 1 in 1928 continue to encourage Kina that the southern margin play is more oil prone than the more gas prone northern fold belt play.

PRL 21 (KPL interest 16.75%)

Over the last 2 years Kina has completed an analysis of seismic, well and engineering data which culminated with a release to the market on 13 June 2018 of a 2C contingent resource estimate for the licence of approximately 48 million barrels of condensate and 1.11 trillion cubic feet of gas.

Kina believes the resource is economic at current energy prices and analysis suggests that a window is opening for delivery of gas as LNG into the Asian market now. In parallel with the technical evaluation of PRL 21, Kina has analysed risk, cost of development and use of the Fly River as a virtual pipeline and monetisation pathway out of Western Province. The Fly River has for some time been used to export gold and copper from Kiunga with downtime, at roughly seven year intervals due to low river levels, managed successfully.

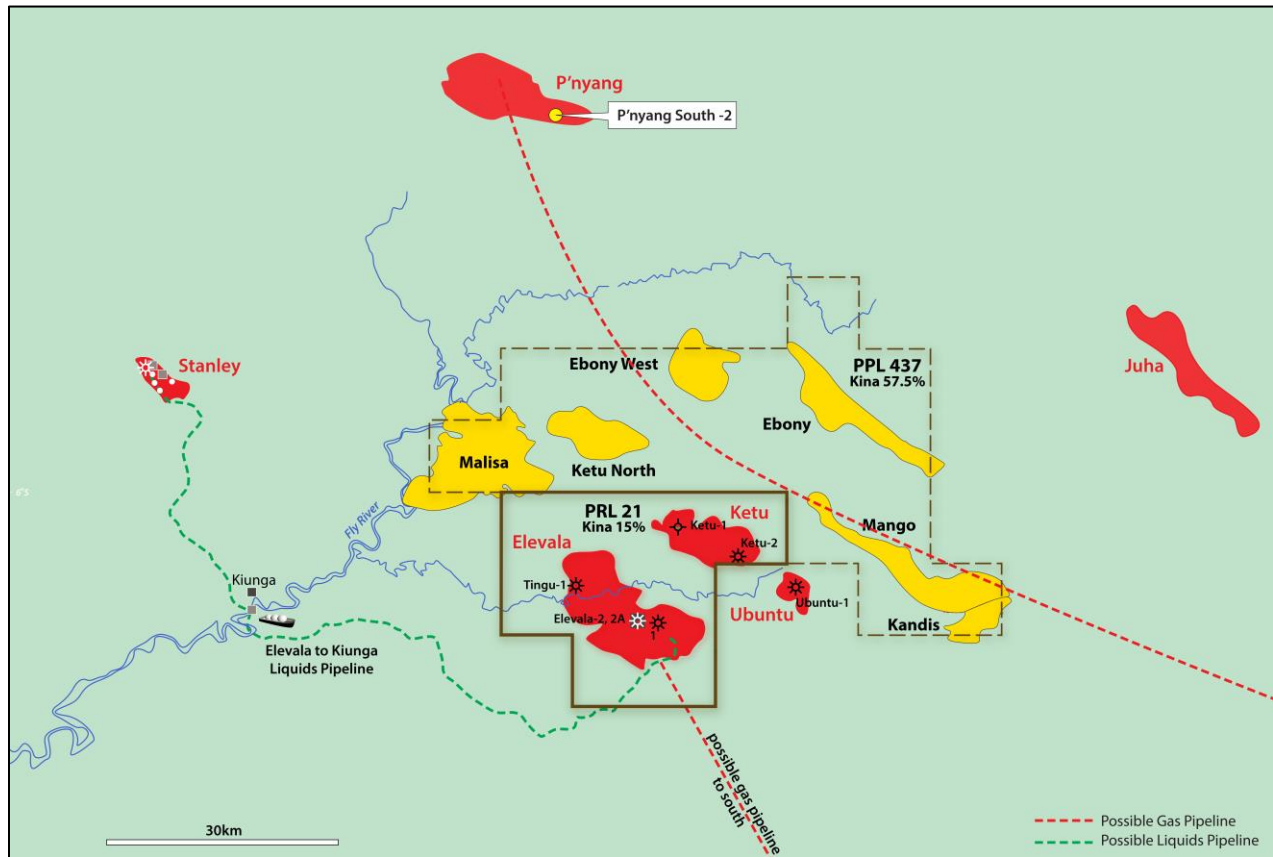
Kina's analysis suggests that even with the risk of temporary shutdown for low river levels, development via a Fly River port is economically attractive and can be bought on stream within timeframes that would allow participants to take advantage of favourable near term commodity pricing.

Kina has modelled numerous development scenarios with this work showing that the value of the liquids and gas far exceeds the capex required for the project and will deliver significant value. On a gross joint venture basis, the development options modelled yield estimated values ranging from approximately \$0.4bn to almost twice that amount.

Importantly, a future development of the Elevala & Ketu fields with first production in the early 2020s will act as not only a hub for development of nearby discoveries but as an incentive to foster further exploration in neighbouring licences such as PPL 437 where Kina and Heritage have a drill-ready opportunity.

A map of the PRL 21 licence area appears on the following page.

Map of PRL 21 and adjacent PPL 437 licence areas



PRL 38 (KPL Interest: 25%)

Kina has completed its own interpretation of 3D seismic data over the Pandora fields and based on that work, a 2C contingent resource of 900 BCF has been estimated. At current prices the asset could underpin a future Gulf of Papua aggregated LNG development.

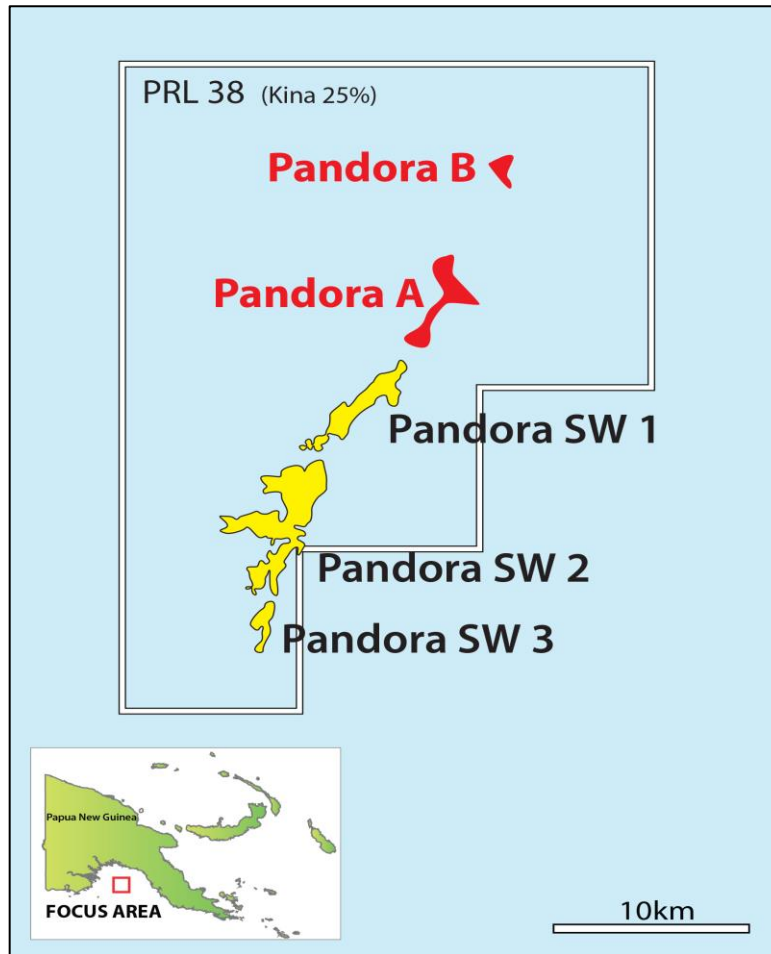
The Pandora A field is located on a reef build up with more than 650m of relief but is not filled to spill. Pandora B1 is a smaller and separate reef closure located 7.5 km from Pandora A but has the same gas water contact.

Seismic data suggests that the trap leaks into overlying sediments but the unusual coincidence of Pandora A and Pandora B having a common gas water contact suggests the 2 fields are in communication. If they are, there is additional resource potential between the wells. Kina is investigating the extent of very young carbonates recognised on seismic data adding to the resource size of the Pandora accumulation.

Kina also recognises a number of prospects south of the existing Pandora fields.

The success of Twinza's recent drilling on the Pasca field has highlighted the potential to develop a field offshore in the Gulf of Papua, however at least one appraisal well on the Pandora fields would be required and a precursor to that would be formulation of a viable strategy for this offshore development.

Map of PRL 38 Licence Area



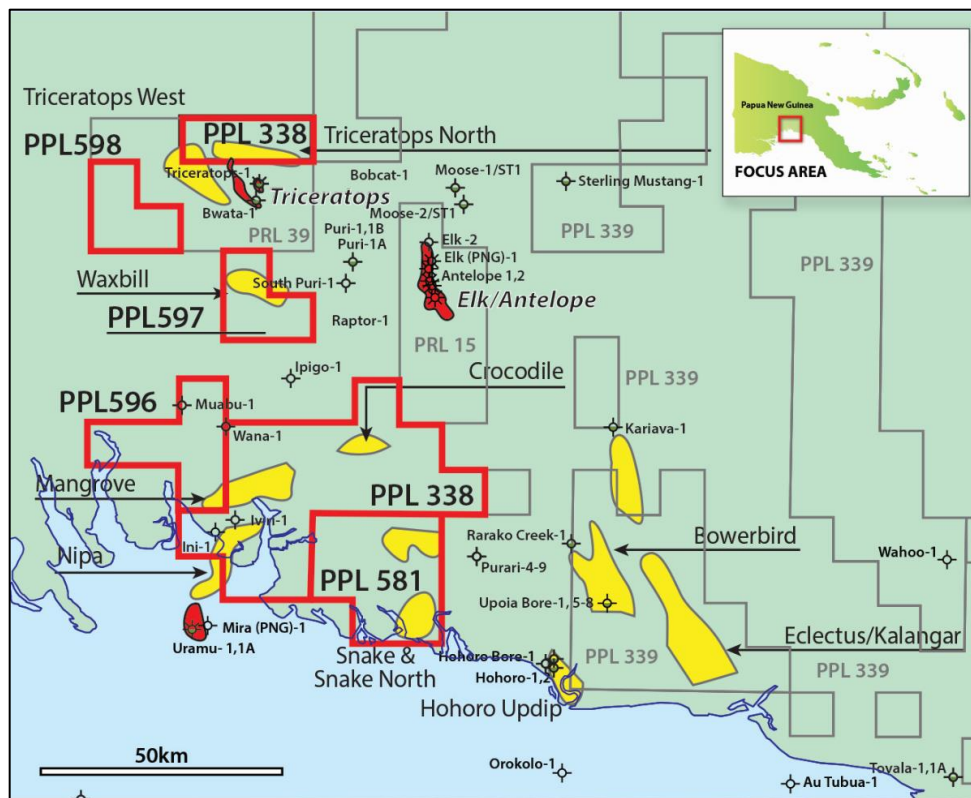
PPLs 338, 581 596, 597 and 598 (KPL Interest: 100%)

Kina is looking to finalise arrangements to acquire full spectrum aerogravity, gradiometry and magnetic data over the key prospects in the licences. We already have data over Triceratops which confirms an anomaly at Triceratops North and West. In the Triceratops area, the seismic data shows a rising and thickening carbonate sequence with on-lapping late Miocene to early Pliocene strata onto the top carbonate, conditions we believe are conducive for developing better porosity in the carbonates. Critical for both prospects is confirmation of closure with demonstration of separation between outcropping and subsurface carbonates. This would require additional (and costly) seismic acquisition.

Kina's reprocessing of legacy seismic data has identified five other viable prospects and leads to the south and in the shadow of the Triceratops and Elk/Antelope discoveries. The full spectrum data will be merged with data already acquired in the north and used to rank the prospects in the south in advance of any future seismic acquisition.

The prospect and lead inventory represents multi-TCF potential in the immediate neighbourhood of the soon to be developed Elk/Antelope fields. The map below shows the top ranked prospects and their location relative to the Triceratops and Elk/Antelope discoveries.

Map of PPL 338, 581 and APPL 596, 597 and 598 licence areas



PPL 339 (KPL Interest: 30%*)

The operator continues to work with PNG regulatory authorities to finalise the PPL 339 licence extension paperwork, and we await confirmation of the anniversary date of the extension period of the licence to determine timing of an optimal work program.

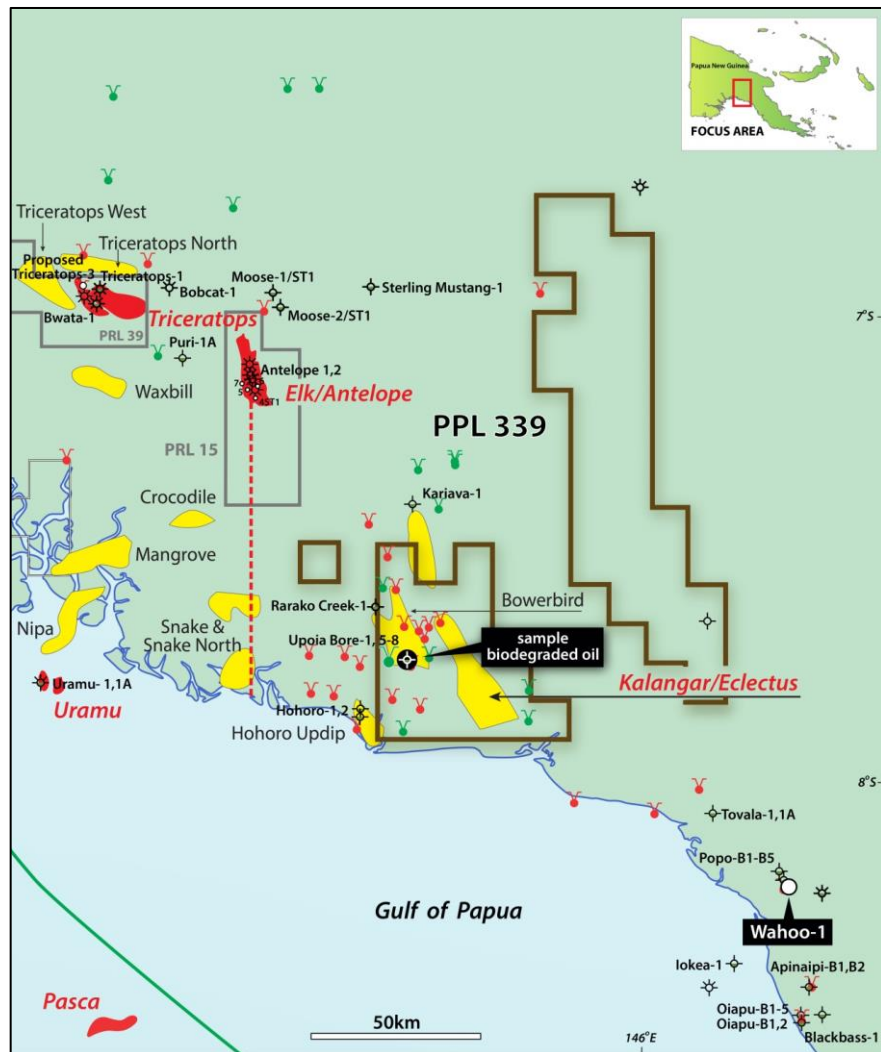
Kalanger/Eclectus (K/E) remains a high-graded area for development of prospects. It is an area close to the late Cretaceous, East Gondwana margin where tectonic activity has established a setting conducive for development of Miocene carbonates. Unfortunately this tectonic setting has been a locus of recent uplift and is not conducive to acquisition of good quality or low cost seismic data.

As with Kina's neighbouring PPL 338 licence, gravity data has previously been acquired over the K/E area. The AGG data supports several shallow high density anomalies in PPL 339 which may be caused by carbonates but could also be other uplifted high density blocks and the seismic data is inconclusive. The JV has determined that magneto-telluric data may prove to be a useful means to high grade anomalies that may warrant further investigation, potentially via a seismic survey.

Following acquisition and interpretation of new field data, and subject to Santos opting to retain its interest in the licence ahead of the first well being drilled, Kina will retain a residual (10%) participating interest in the licence at the time of drilling that first well with that 10% share fully carried, up to an agreed amount, pursuant to its pre-existing farmout agreement with Oil Search.

*subject to farmout agreement with Santos

Map of PPL 339 Licence Area



PPL 340 (KPL Interest: 100%)

Kina has continued to build its knowledge of the Lizard Prospect by identifying factors that differentiate it from past wells Wahoo-1, Oroi-1 and Black Bass-1, all of which had indications of dry gas.

Lizard is located on an early Miocene block at the edge of the Lakekamu embayment and adjacent to the Papuan Basin northern margin. Kina's observations suggests the area has the potential to preserve late Cretaceous rocks which offer oil source potential with early Miocene carbonate reservoir potential developed by a fault antithetic to the northern basin margin.

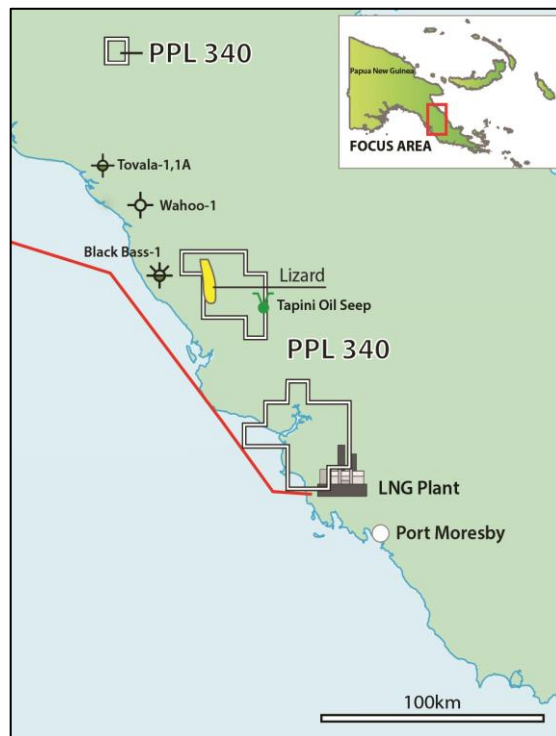
The area from Delena to Lizard lies on an early Miocene shelf edge ideally located for entrapment of oil and gas from the Lakekamu Sub-basin. Oil generation is confirmed at the Tapini Station seep located to the east of Lizard.

A provisional seismic program has been proposed for Lizard Prospect with provisional cost estimates considered too high on a risk weighted analysis of the prospect.

But the Lizard structure is large with oil (and gas) potential close to Port Moresby. To screen the area prior to committing to the seismic cost Kina intends running a soil gas geochemical survey over the prospect in advance of committing to and deciding line locations for our the seismic survey.

The soil gas geochemical survey is expected to be carried out in the second half of the year in advance of further farm out discussions.

Map of PPL 340 licence area



PPL 435 and 436 (KPL Interest: 100% in both licences) & APPL 611

The Alligator and Aiambak structures are large oil and gas prospects located at either end of the Fly Platform. In 1987, the Aiambak area exhibited anomalous readings from soil gas survey carried out by former operator Kundu Petroleum. Next quarter, Kina will evaluate the application of soil gas technology as a ranking tool in PPL 340.

The Aiambak and Alligator traps cover very large areas and are located at the southern margin of the Papuan Basin. As mentioned last quarter Kina sees some analogies in the south Papuan Basin to the Sahul Platform of the North West Shelf where upwards of 40 TCF of gas has been discovered.

As has been pointed out previously, Alligator Prospect remains one of the most attractive undrilled structures in PNG but its very size makes it expensive to delineate with seismic acquisition likely to cost more than US\$8 million. Subject to the outcome of tests with soil gas geochemical technology in PPL 340 Kina will investigate the applicability of this technique to Alligator area in an effort to reduce the size of a future seismic survey.

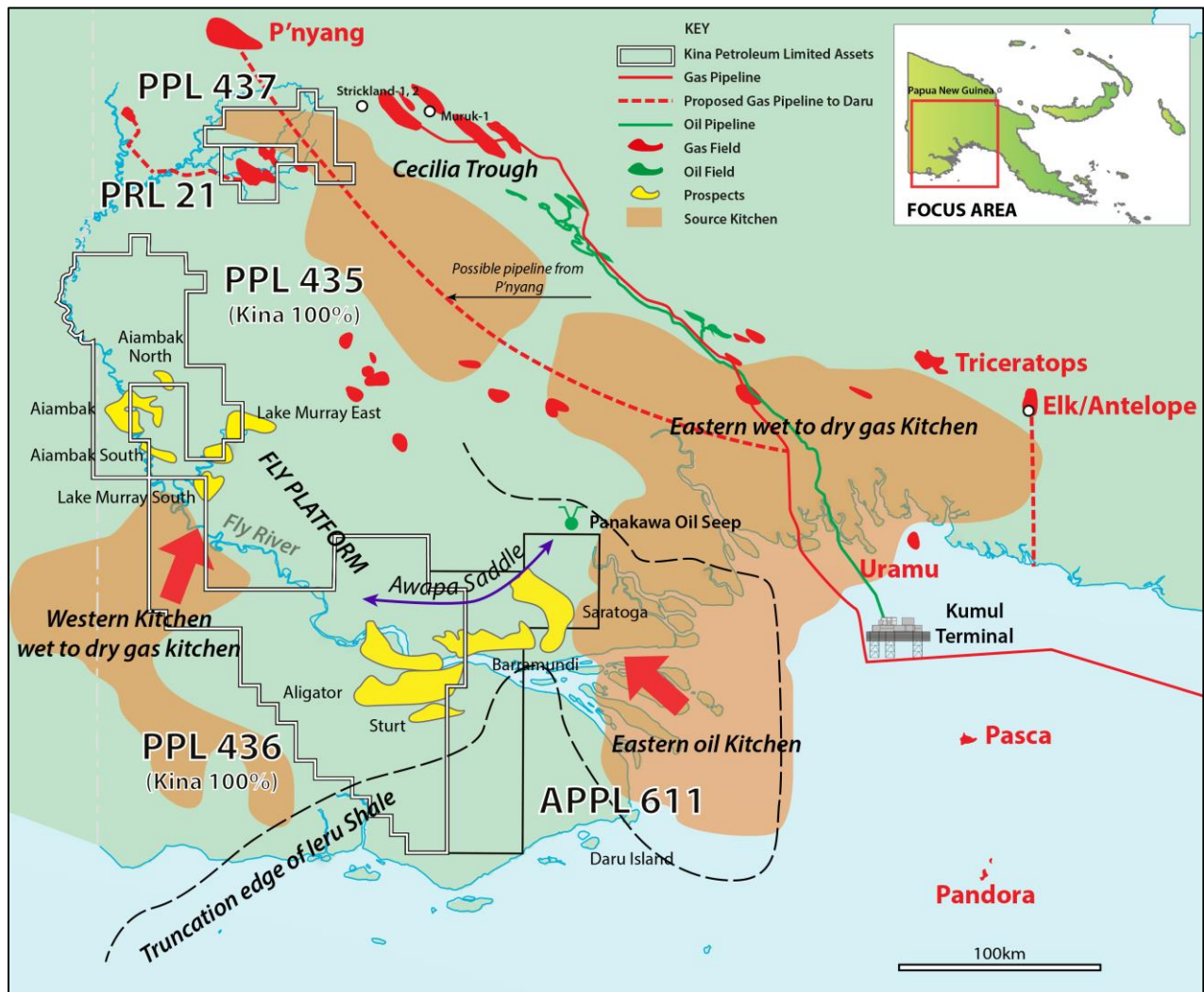
Although the Aiambak Prospect is not as large as Alligator, it is at the northern end of the Fly River Fault and the southern margin of the Papuan Basin. In 1987 it was covered by part of regional soil gas geochemical survey and the Aiambak area exhibits a geochemical soil gas response with a signature that could be indicative of oil generation. Such findings are consistent with seep data at Panakawa and Merauke east and west of Aiambak where oil has been sampled at surface.

Kina is in discussion with companies in respect of its farm out proposal in PPL 435 and 436.

A map of the PPL 435 & 436 Licence Areas appears on the following page.

Map of the PPL 435 & 436 licence areas

(showing proximity to forelands, discovered Western Province resources and key geological features)



PPL 437 (KPL Interest: 57.5%)

PPL 437 is located in Western Province, immediately north of PRL 21 (Ketu-Elevala) and south of Hides, Muruk, Juha and P’nyang.

During the quarter Oil Search released updated reserve numbers for the nearby P’nyang field (in which Kina has no interest).

The P’nyang Field will almost certainly be developed with a pipeline to the east to the PNG LNG facilities. The development of infrastructure in Western Province is good for the future exploitation of other

prospects and leads in the area but timing and terms of access are not determined and will delay activity in licences like PPL 437, even though the proposed pipeline may well cross the licence.

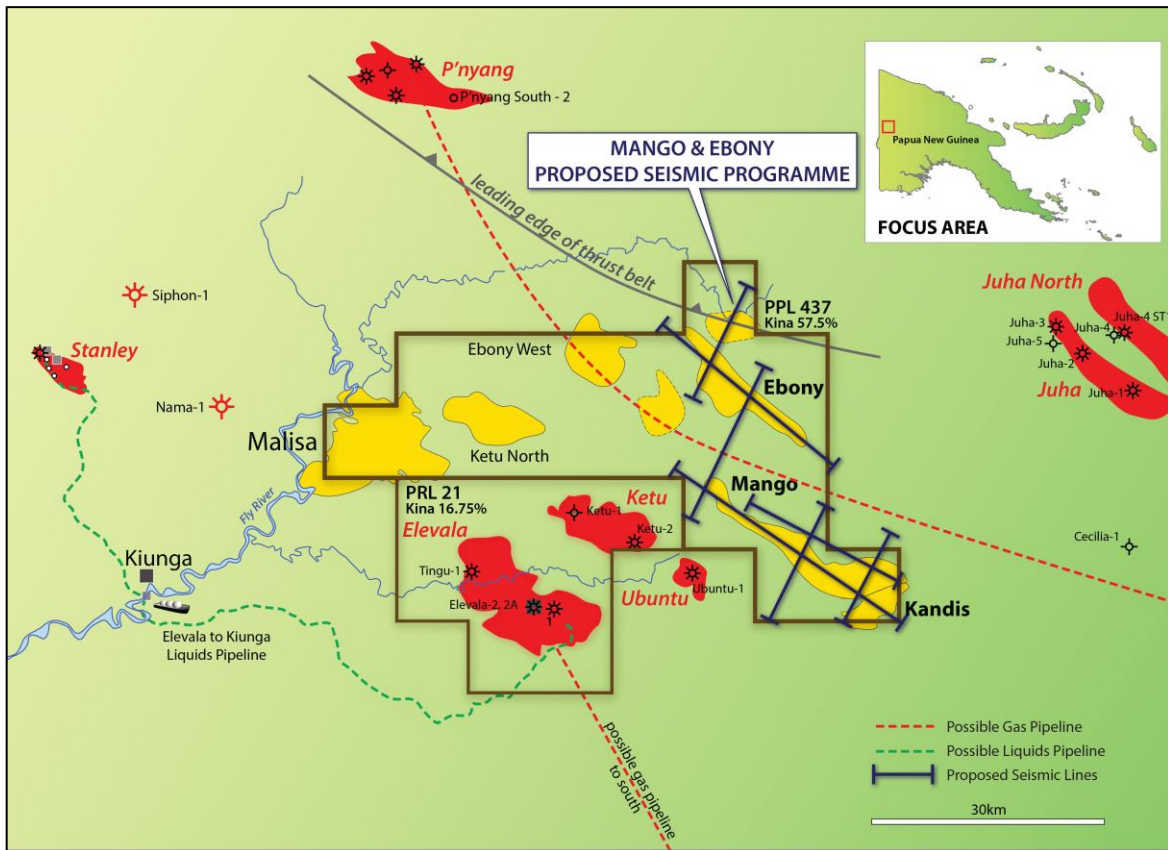
As mentioned in the PRL 21 section of this report, Kina is committed to early development of the the Elevala & Ketu Fields and believes the Fly River (including the port of Kiunga) offers a viable development alternative to the east with liquids development possible down the Fly River in the early 2020s, subject to commitment by the proponents.

Within PPL 437, Kina recognises similar liquids and gas rich prospects at Malisa, Ebony and Mango.

Malisa is drill ready but Ebony and Mango Prospects require additional seismic control to confirm their resource potential. That seismic will be a material expenditure item.

As with our other high risk exploration permits, and subject to the findings of our observations from our proposed soil gas survey in PPL 340, Kina hopes the technique will provide means of ranking the prospects in advance of delineation by seismic and drilling. We are fortunate to have a proven field in PRL 21 over which to calibrate the technique for comparison to readings taken over the prospect areas.

Map of the PPL 437 Licence Area (with PRL 21 immediately to the south)



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Kina Petroleum Limited	
ABN	Quarter ended ("current quarter")
30 151 201 704	30 June 2018

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(183)	(424)
(b) development	-	-
(c) production	-	-
(d) staff costs	(118)	(241)
(e) administration and corporate costs	(275)	(508)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(575)	(1,171)

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
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2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,321	8,933
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(575)	(1,171)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	4	(12)
4.6	Cash and cash equivalents at end of period	7,750	7,750

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1 Bank balances	7,750	8,321
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,750	8,321

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$US'000
37
-

Non-Executive Directors Fees

7. Payments to related entities of the entity and their associates	Current quarter \$US'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9.	Estimated cash outflows for next quarter	\$US'000
9.1	Exploration and evaluation	1,300
9.2	Development	-
9.3	Production	-
9.4	Staff costs	120
9.5	Administration and corporate costs	250
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	1,670

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Date: 31 July 2018

(Director)

Print name: Richard Schroder

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.