



A Company registered in Papua New Guinea
Company Number: 1-63551
ARBN: 151 201 704

31 October 2014

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD 1ST July, 2014 to 30th September, 2014

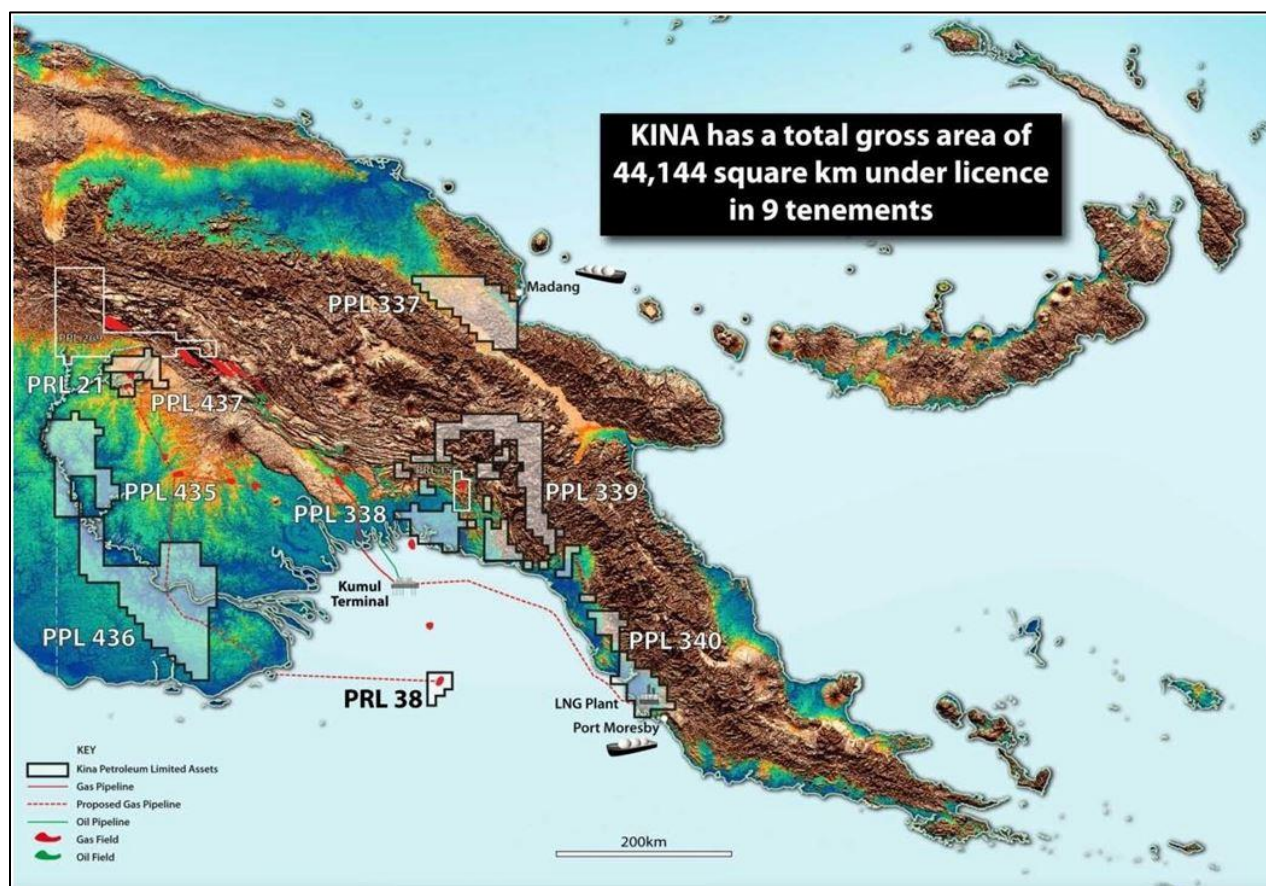
Kina Petroleum Limited (ASX: "KPL") has working interests in the retention licences PRL 21 and PRL 38 and also in 7 exploration licences across PNG.

During the September quarter, FEED activities in PRL 21 progressed, preparatory site and civil works for the drilling program in PPL 337 continued, and the Gosur 2014 seismic acquisition program in PPL 437 was completed on time and under budget. The Gosur program of 106 line km is aimed at delineating a drillable target at the Malisa South Prospect, immediately north of the Elevala and Ketu fields in PRL 21.

Highlights for the Quarter

- **PRL 21 – continuation of FEED, and preparatory work for upcoming seismic acquisition aimed at further definition of the field ahead of FID in 2015.**
- **PRL 38 – JV partners are looking at commercialisation options for Pandora gas, including FLNG, either as a stand-alone project or as part of a gas aggregation strategy**
- **PPL 337 - drilling contractor has been selected. Pre-drilling activities are underway.**
- **PPL 437 – Completion of seismic operations for the Gosur program. Interpretation is underway to mature a drilling location at Malisa South. Reinterpretation of vintage lines has yielded significant improvement in data quality**
- **PPLs 435 & 436 – Data from Kina's recently completed aerogravity and aeromagnetic survey in Western Province is being merged with neighbouring vintage data to better define the basin architecture and to high-grade prospects and leads for seismic acquisition in 2015.**

Map of Kina Petroleum's Licence Interests



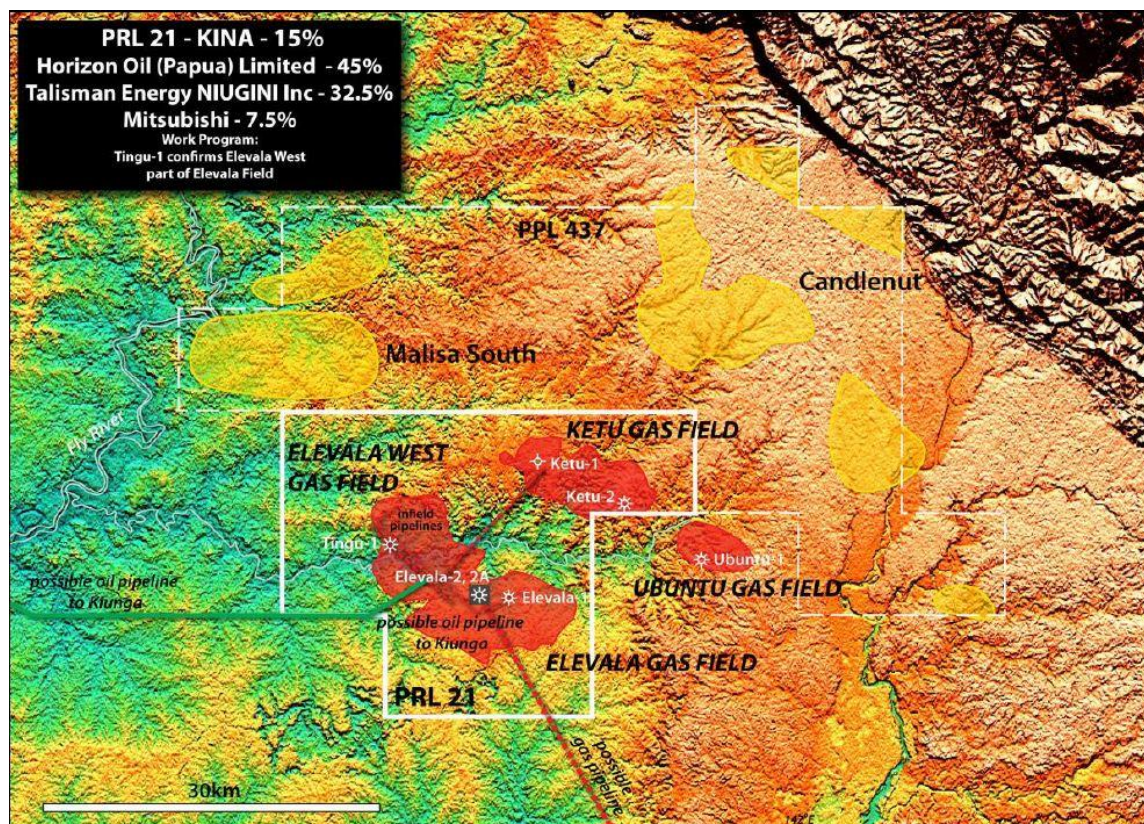
PRL 21 licence area (Kina interest 15%)

September quarter activity in PRL 21 focussed principally on continuation of FEED activities and preparatory work for seismic acquisition which is aimed at further definition of the field ahead of FID. Routine core analysis and special core analysis programs of the Tingu-1 well was also completed.

Coincident with FEED activity, and as the Joint Venture progresses towards FID for the liquids project, the focus has been on honing the PRL21 Field Development Plan (FDP) models. Key to this process has been completion of a combined Elevala and Ketu field static model to test various facies and property distribution scenarios.

In terms of Seismic Acquisition, approval and planning was finalised during the quarter for a program (the Tana Survey) of 101.9 line km of line data across the Elevala and Ketu structures. The purpose of the program is to provide additional data in respect of future development well locations. Preparatory work on the survey commenced in September with completion of seismic acquisition expected during November, 2014.

A map of the PRL 21 licence area appears below.



Petroleum Retention Licence ("PRL") 38 (Kina Interest 25%)

Kina has a 25% share of PRL 38, located offshore Gulf of Papua and which incorporates the Pandora gas discoveries. On the basis of those discoveries, the licence was noted by the previous tenement holders to have a multi BCF* accumulation of gas which Kina, along with its JV partners will be focussed on confirming from available technical data. If confirmed, then based on the unrisked value of a barrel of oil equivalent ascribed to PRL 21 in the Independent Expert's Report that was prepared for the merger that had been proposed between Horizon and Roc earlier in 2014, Kina's 25% share is estimated to have an implied unrisked value between USD250m to 315m, which approximates \$A1.10 to \$A 1.38/share.

Further untested resource upside is recognised in PRL 38 with additions possible between the 2 reefs already drilled. Pandora A and B reefs are independent structures but have a common gas water contact which suggests that the reefs are in pressure communication. A further 7 undrilled reef structures are recognised in PRL 38, which Kina believes offers further significant resource upside.

PRL 38 is strategically positioned to fit into one of several possible gas aggregation plans which commercialise resources in either the Western Province, the Eastern Forelands or into Port Moresby.

* Based on the most recent publicly available information: Oil Search Limited 2012 annual report where a 2C contingent resource of 191 bcf was noted in respect of their 24.0909% share of the then PRL 1 licence.

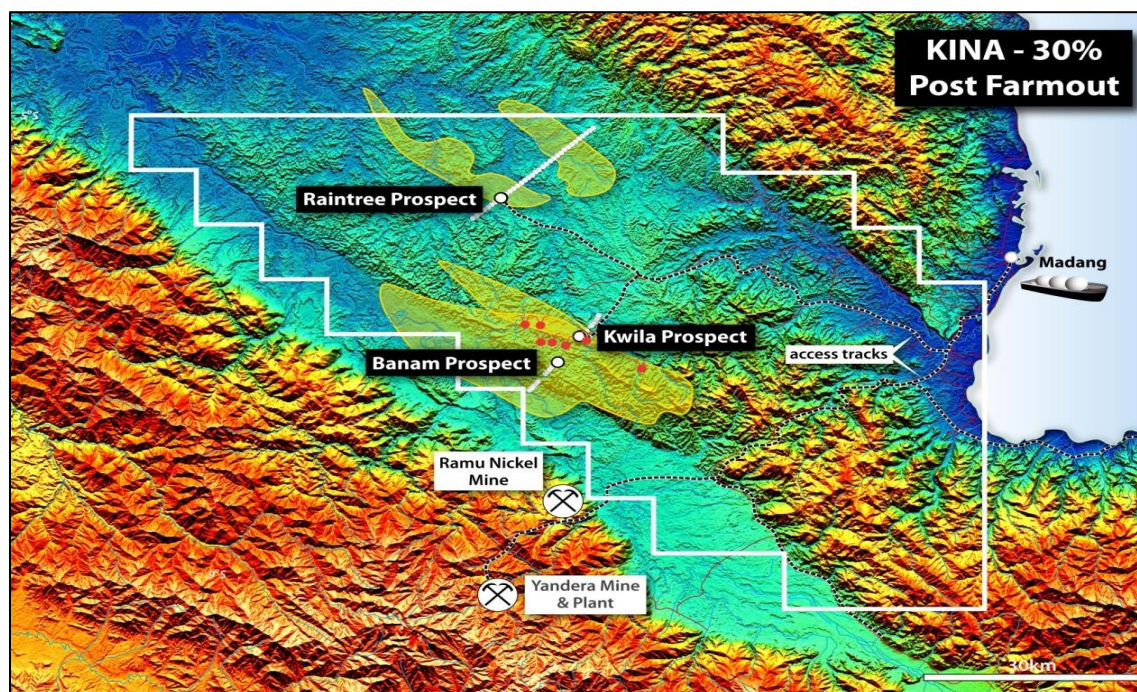
Potential synergies exist from aggregating gas from PRLs 21 and 38 and commercialisation of this combined resource base. Floating LNG (FLNG) may be considered as a commercialisation option. To this end, Kina is encouraged by the recent commissioning of the Caribbean FLNG. Wison and Exmar, the builders of the Caribbean project, have undertaken scoping studies for a build-own-operate (BOO) FLNG operation on the coastline of Western Province. Infrastructure in the vicinity of the port of Daru on the coastline of Western Province would be ideally located for export of LNG from both PRL 21 and PRL 38.

Petroleum Prospecting License (“PPL”) 337 (Kina Interest 100%, subject to Farmout arrangements with Heritage Oil Limited)

Kina is being carried through an uncapped, two-well drilling program in the underexplored Ramu Basin of northern PNG. In the event of success at either location, Kina will be carried through a follow up seismic program to a maximum of 100 line km or US\$8m cost. This activity is a significant milestone for the company being the first exploration drilling to be undertaken by Kina outside of PRL 21.

Upon completion of the drilling program Heritage will have earned a 70% interest in the licence and Kina’s retained equity will be 30%. In advance of drilling, Kina has agreed to transfer a 10% participating interest in the PPL 337 licence to Heritage in order to facilitate tax and administrative efficiencies. Government approval of this transfer is anticipated during the final quarter of calendar year 2014, with transfer to Heritage of the remaining 60% to occur on completion of the drilling program.

A map of the PPL 337 licence area, including prospect locations, is shown below.



The first well, Raintree-1, will test a carbonate reef, some 60 km northwest of the Banam Anticline. Carbonate reef rocks recovered from the Sogeram River further support the existence of reefs whose composition and architecture mimic that of Elk/Antelope.

The Kwila-1 well will test the shallow Pleistocene reservoirs and the deeper Miocene reservoirs recognised in the Tsumba-1 well, the nearest offset well some 70km further to the north-west of Raintree location. Kwila-1 is located on the north-eastern flank of the Banam Anticline, one of the largest untested structures in PNG. It will test a seismic anomaly in Pleistocene sands but will also drill on to evaluate the reservoir potential of deeper sandstones thought to be in structural closure over the Banam anticline.

Subject to encouragement from Kwila-1 or Raintree 1, a appraisal seismic program will infill existing three lines over Banam Anticline and/or Raintree.

Raintree is expected to spud either late in 2014 or early in 2015. Whilst Kina had expected the wells to have been drilled and tested during Calendar year 2014, the rig procurement process has been hampered by factors beyond the control of Kina and Heritage. Pleasingly, Energy Drilling Australia (EDA) has been selected as the drilling contractor, community affairs and required Environmental Impact Study work is now complete and JV partner Heritage Oil Limited has commenced site preparations, including civils construction and access road upgrading. The targeted TD's and objectives of both wells is well within the depth capabilities of EDA's Schramm TXD 200 rig. Slim-hole full wireline evaluation of reservoir intervals will be conducted, with pressure and fluid sampling programmed. Well planning and the design of both wells are such that well testing can be conducted.

Both wells are targeting dry gas. Source risk is considered low as there are numerous seeps within the licence. There are numerous potential offtake partners in and around Madang, including the mining operations at Ramu NiCo and Yanderra. Power generation for Madang itself is another option. In the event of a large discovery, there is scope for an LNG project with deep water access at Astrolabe Bay.



The Energy Drilling Australia (EDA) Schramm T200XD drill rig, to be used in PPL 337.

Petroleum Prospecting Licenses (“PPL”) 338 (Kina 100%) and 339 (Kina 100%, subject to farmout arrangements with Oil Search)

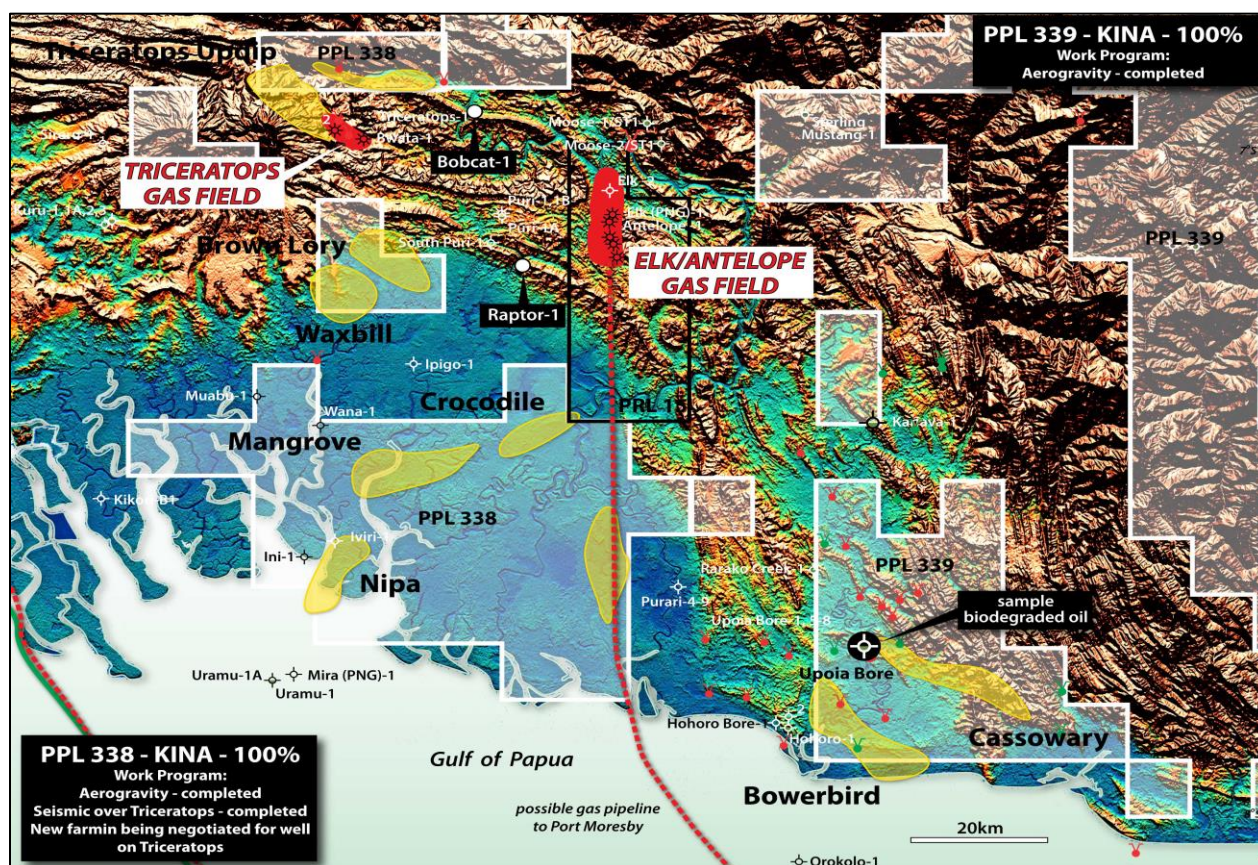
PPL 338 is located at the eastern margin of the East Papuan Basin, near the Elk-Antelope gas discovery now held as PRL 15 by Total, Oil Search and InterOil (IOL).

Kina recognises numerous prospects and leads within PPLs 338 and 339 which, if successful, may be commercialised alongside a potential development of the Elk/Antelope field.

In the central part of PPL 338, two leads are of particular interest: Waxbill and Brown Lory, both west of InterOil’s Raptor-1. These leads are on the footwall of the Kereru Fault and possibly the hanging wall of the Era Fault. Seismic data suggests brown Lory may be reefal and it is not only along trend from Raptor but possibly up-dip of the zone that flowed oil in Puri-1 (1,610 barrels per day).

Further south, and within both PPL 338 and PPL 339, Kina recognises five leads worthy of follow up. Nipa, Mangrove and Crocodile lie within PPL 338 and are north of - and up dip from - the offshore Uramu gas field. Bowerbird and Cassowary lie within PPL 339 and are along trend and south of the Antelope Gas field. Gravity and seismic data show evidence of basement uplift in the Bowerbird and Cassowary area and their location close to Kerema and the coastline put them in a relative low cost drilling environment.

A map of the PPL 338 and 339 licence areas, noting potential prospects, is shown below.



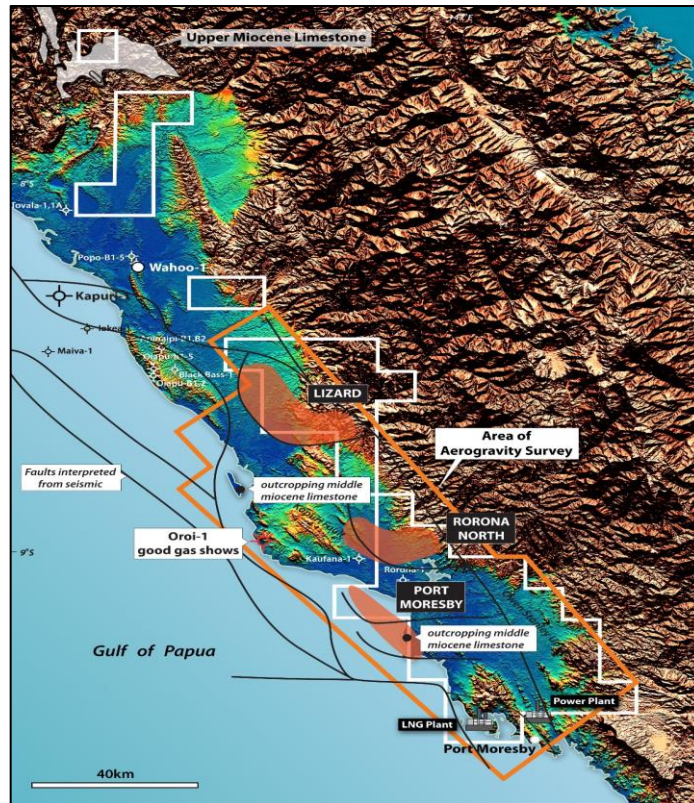
In terms of nearby drilling activity, Raptor-1 and Bobcat-1 are currently being drilled by IOL in PPLs 475 and 476. The wells are close to the PPL 338 block boundaries. IOL reported after September 30 that Raptor had intersected a 200m thickness of Kapau Limestone (age equivalent to the Darai) and that hydrocarbons were identified within the Kapau. Raptor-1 is midway between the Antelope field and the Brown Lory Prospect in PPL 338. Bobcat-1 has set casing in the Orubadi seal just above the Kapau Limestone. Bobcat is approximately 10km from the PPL 338 boundary. Drilling success at Bobcat will have a material impact on prospectivity in the northern part of PPL 338 which also hosts the Triceratops Updip Prospect.

Kina has completed interpretation of the 2013 Tagula geophysical data and tied in open file seismic data from surrounding licences and has mapped an extension of the Triceratops structure from PRL 39 into PPL 338. This extension results in the Triceratops Updip prospect in PPL 338, significantly increasing the prospectivity of the licence and supporting the active farm out process aimed at testing that prospect.

Petroleum Prospecting License ("PPL") 340 (Kina Interest 100%)

An aerogravity and aeromagnetic survey over PPL 340 (100% KPL) was completed in December, 2013. Preliminary interpretation of the PPL 340 data is now complete and has high-graded three leads initially identified by seismic; Port Moresby, Rorona Updip and Lizard.

A map of the PPL 340 licence area, noting potential prospects, is shown below.

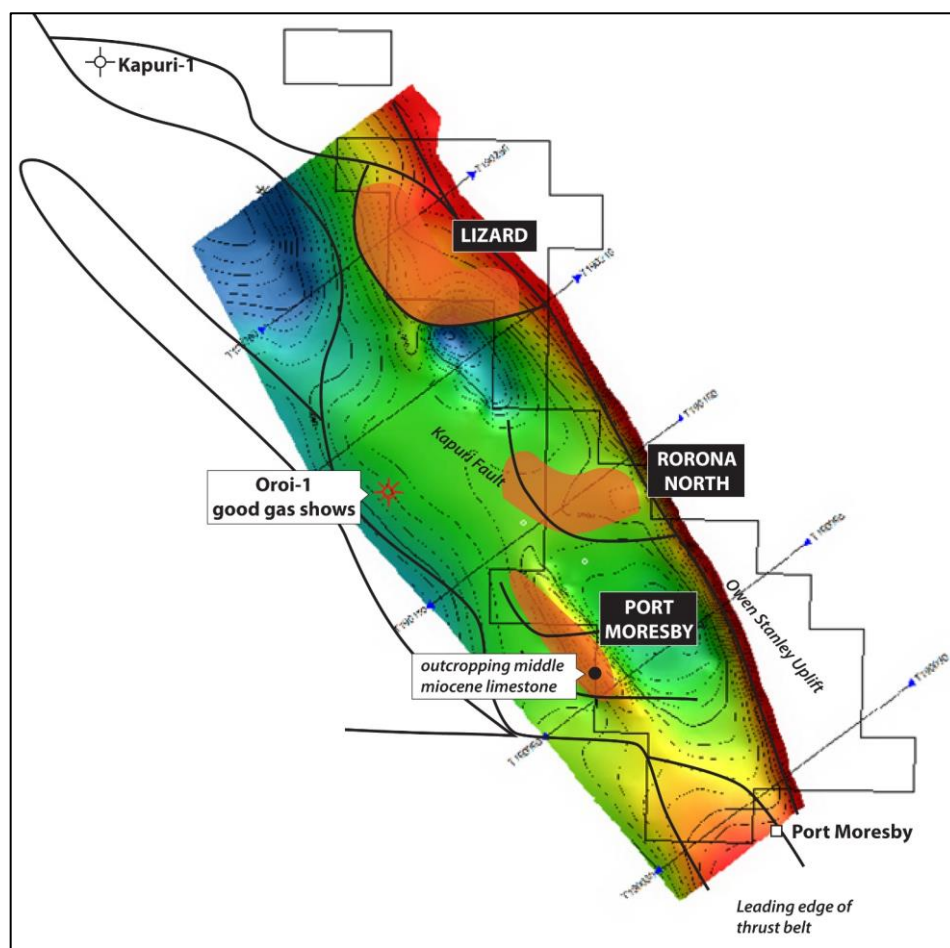


The Lizard prospect is a shallow objective (approx. 650m depth) which is only 100km by road from Port Moresby. The prospect is adjacent to a structural trough which is capable of generating thermogenic hydrocarbons, based on Wahoo-1 and Tovala-1 results. Port Moresby prospect is a shallow objective (approx. 800m depth) where the target overlies a coincident gravity anomaly along trend from gas intersected in Oro-i-1.

Aerogravity data interpretation confirms the architecture of the Kapuri platform and seismic suggests a reef build up or rollover along the plunging trend of the uplifted and outcropping Port Moresby Association rocks to the south, and an uplifted block east of Oro-i-1.

Until recently Kina believed these structures had only dry gas potential ideal for power generation for the Port Moresby market. However on 14th July InterOil announced it had suspended Wahoo-1 due to the intersection of high formation pressures within the Orubadi mudstone which contained thermogenic hydrocarbons. This considerably upgrades the liquids potential of northern PPL 340 as Wahoo is located less than 20km from the boundary of PPL 340.

Interpretation of the recently acquired aerogravity data is shown below..

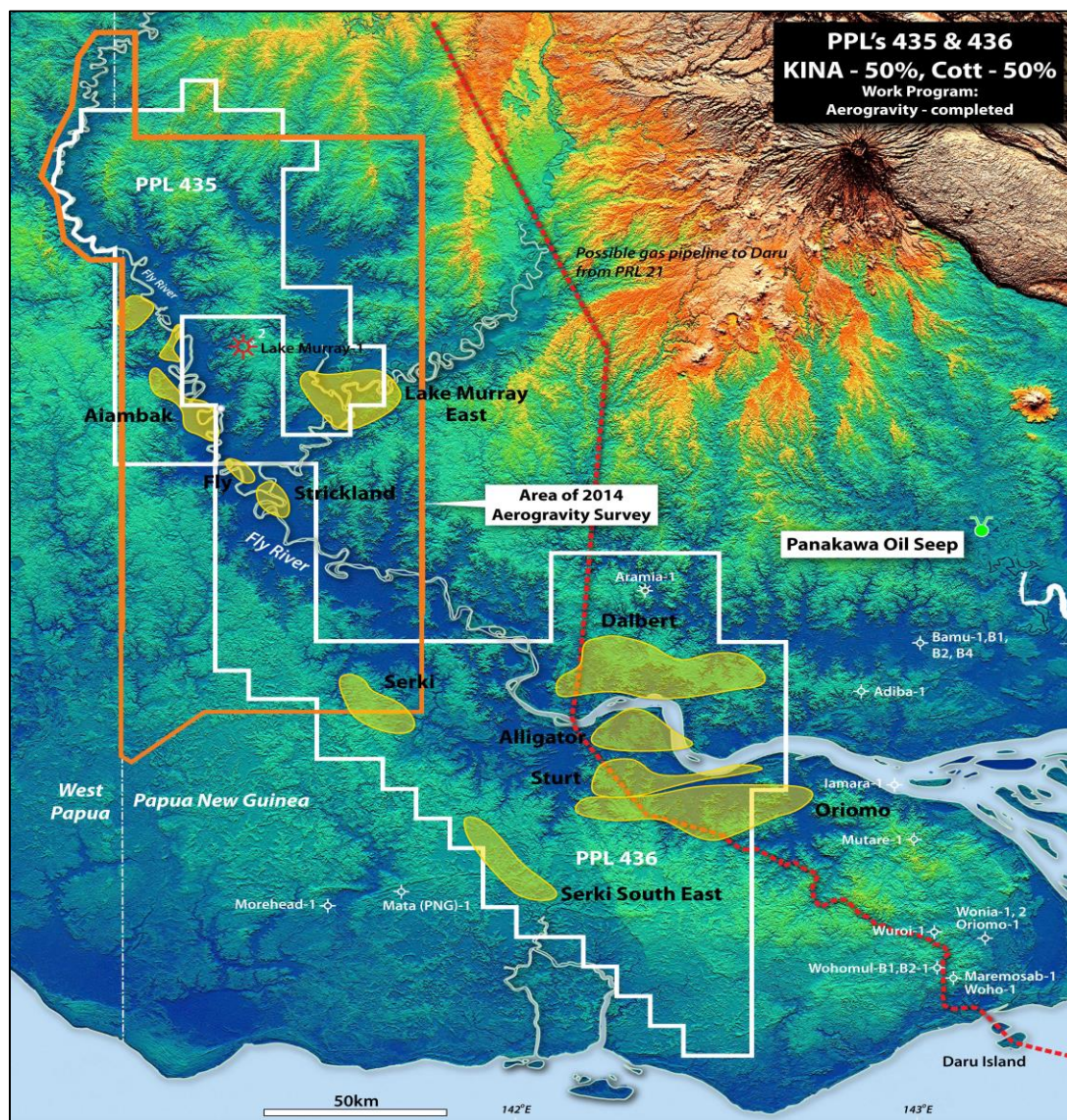


Petroleum Prospecting Licenses (“PPL”) 435 and 436 (Kina Interest 50% in both licences)

An aerogravity and aeromagnetic survey over PPLs 435 & 436 was completed in June 2014. Interpretation of the data is underway and is focussing on the leads identified from vintage seismic programs. Key to the interpretation has been a comprehensive study of the architecture of the basement underlying the western and south-western part of the Papuan Basin. To this end, Kina has acquired all available previous aerogravity and aeromagnetic data and is undertaking a project to combine these data.

The interpreted structures in PPLs 435 & 436 are targeting oil and wet gas from multiple reservoir intervals. Any hydrocarbons in PPL 435 and 436 would be attractive due to proximity to the Fly River and Aiambak port. In the event of a gas discovery these PPLs are well placed for any future gas aggregation strategy.

Maps of the PPL 435 & 436 licence areas are shown below.

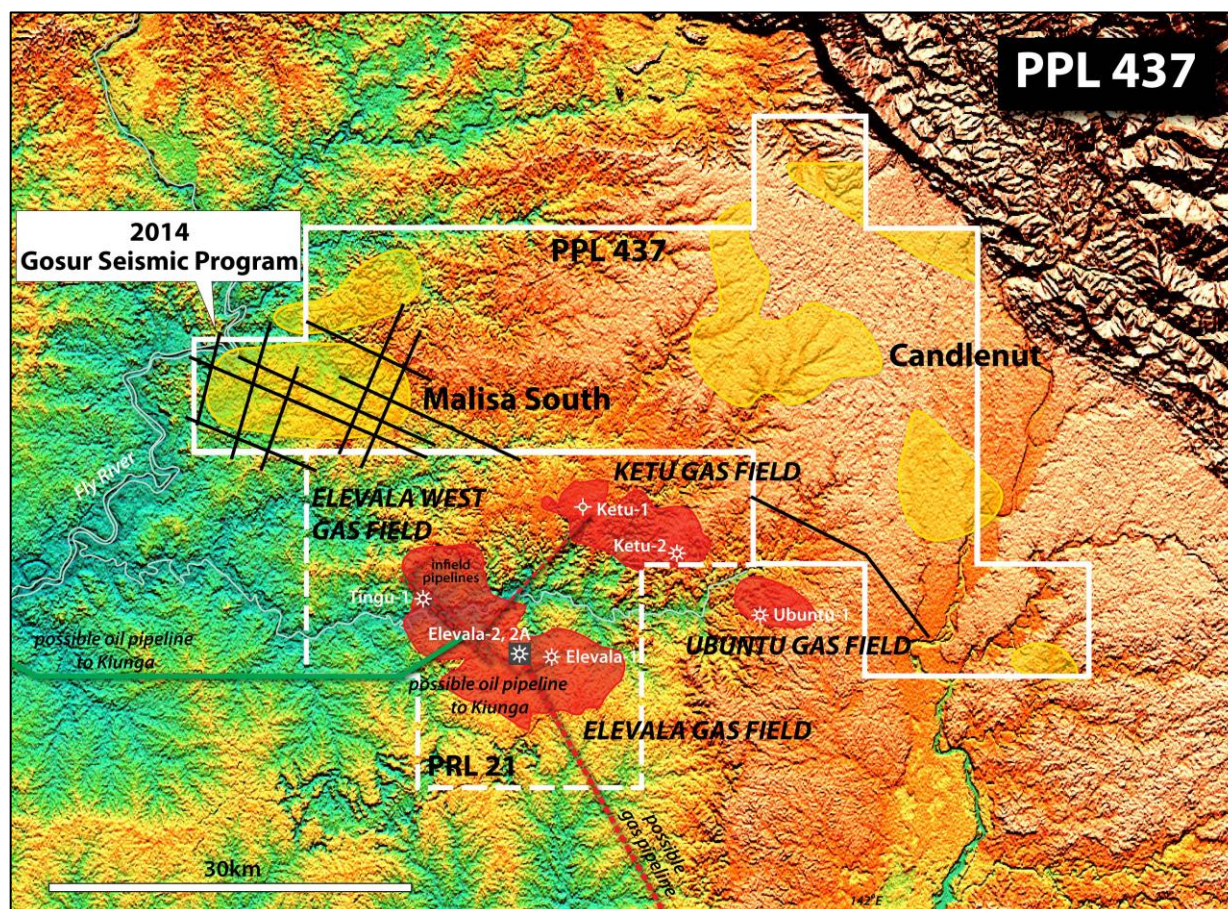


Petroleum Prospecting License ("PPL") 437 (Kina Interest 80%, subject to farmout arrangements with Heritage Oil Ltd)

The 2014 Gosur Seismic Survey, operated by farminee Heritage Oil was completed in the September quarter. Kina was fully carried by Heritage through this 2D seismic program.

The Gosur Seismic Survey focussed on enhancing the definition of the Malisa South Prospect along trend from Tingu. The Malisa South structure is the focus for the PPL 437 Joint Venture due to its proximity to the proposed PRL 21 Development infrastructure and because of the good quality Elevala Sandstone and Toro Sandstones intersected in Tingu 1. The Elevala Sandstone, where testing in PRL 21 has demonstrated the capacity of single wells to flow at nearly 70MMcu ft/d and in-excess of 4000 barrels of condensate per day, remains the primary reservoir target. However, the intersection of good shows in an improved quality Toro Sandstone at Tingu 1 has elevated the Toro Sandstone as a significant deeper objective at the Malisa South Lead.

Processing of the Gosur 2104 data is underway and should be completed in Q4 of 2014. Subject to the results of the survey, a well will be drilled.



Subsequent to the end of the quarter, as disclosed in KPL's release to the stock exchange of 27 October 2014, agreement has been reached with Cott Oil and Gas Limited, and Kina's farmin partner Heritage, for the withdrawal of Cott from the PPL 437 licence. Cott's 20% interest will be reassigned, with 7.5% transferred to Kina and 12.5% to Heritage. The 7.5% interest transferred to Kina will be carried by Heritage through completion of acquisition and processing of the data acquired in the recent Gosur program, and will thereafter be a paying interest.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

KINA PETROLEUM LIMITED

ARBN

151 201 704

Quarter ended ("current quarter")

30 September 2014

COMPANY NO.

1-63551

Consolidated statement of cash flows

		Current quarter USD \$'000	Year to date (6 months) USD \$'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(472)	(2,595)
	(b) development	(1,026)	(1,187)
	(c) production	-	-
	(d) administration	(313)	(1,070)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	17
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (J/V Operator Fee income)	7	110
	Net Operating Cash Flows	(1,801)	(4,725)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-

1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (receipt of back costs pursuant to PPL 437 farmin agreement)	-	300
		-	300
	Net investing cash flows		
1.13	Total operating and investing cash flows (carried forward)	-	-
1.13	Total operating and investing cash flows (brought forward)	(1,801)	(4,425)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
		-	-
	Net financing cash flows		
	Net increase (decrease) in cash held	(1,801)	(4,425)
1.20	Cash at beginning of quarter/year to date	3,934	6,459
1.21	Exchange rate adjustments to item 1.20	(45)	54
1.22	Cash at end of quarter	2,088	2,088

Note: Payments for exploration activity relate principally to costs for the Tingu well in PRL 21.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter
		USD \$'000
1.23	Aggregate amount of payments to the parties included in item 1.2	20
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

These payments represent Non-executive Directors Fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available USD \$'000	Amount used USD \$'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	USD \$'000
4.1 Exploration and evaluation	750
4.2 Development	700

4.3	Production	-
4.4	Administration	350
Total		1,800

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter USD \$'000	Previous quarter USD \$'000
5.1	Cash on hand and at bank	2,088	3,934
5.2	Deposits at call*	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		2,088	3,934

* Removed from Reconciliation of Cash to ensure consistency with Audited Financial Statements.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)	Nil			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	245,519,138	245,519,138		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Release from escrow	-	- -		
7.5	*Convertible debt securities (description)	Nil			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	1,500,000		Exercise price \$0.50	Expiry date 20 December 2016
7.8	Issued during quarter	Nil	Nil		

7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	600,000		K1.10	Expired due to cessation of employment
7.11	Performance Shares (totals only)	Nil	Nil		
7.12	Unsecured notes (totals only)				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: Richard Schroder..... Date:31/10/14.....

(Managing 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.