

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")

31 December 2014

COMPANY NO.

1-63551

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter USD \$'000	Year to date (6 months) USD \$'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(927)	(3,522)
	(b) development	(122)	(1,309)
	(c) production	-	-
	(d) administration	(332)	(1,402)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	16	33
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (J/V Operator Fee income)	15	125
	Net Operating Cash Flows	(1,350)	(6,075)
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)	(1,350)	(5,775)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	14,995	14,995
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	13,645	9,220
1.20	Cash at beginning of quarter/year to date	2,088	6,459
1.21	Exchange rate adjustments to item 1.20	(315)	(261)
1.22	Cash at end of quarter	15,418	15,418

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	650
4.2 Development	2,150

4.3	Production	-
4.4	Administration	400
Total		3,200

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	15,418	15,418
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		15,418	15,418

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	<p>PPL 437</p> <p>A 7.5% participating interest in the licence was acquired via transfer from Cott Oil and Gas Limited, upon their withdrawal from the licence.</p> <p>Note also that during the quarter, Heritage earned a right to acquire a 30% interest from Kina's existing 87.5%. Government approval of this transfer is expected in Q1 2015.</p>	80%	87.5%

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	306,898,921	306,898,921		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Release from escrow	61,379,783	61,379,783	\$0.30	\$0.30
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	Nil	Nil		
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:30/1/15.....

(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.



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

30 January, 2015

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD 1ST September, 2014 to 31st December, 2014

Highlights for the Quarter

- **Entry of Phil Mulacek's PIE Holdings LP to Kina's register and AUD18.4m capital raising;**
- **PRL 21 - continuation of FEED activities and completion of seismic acquisition to further define the field ahead of FID;**
- **PPL 337 - ERA's Schramm TXD200 rig and service companies in Madang waiting on improved weather;**
- **PPL 437 - Seismic interpretation complete with confirmation of Malisa South structure;**
- **PPL 338 - Mangrove, Triceratops & Nipa high-graded; major seismic reprocessing program under way;**
- **PPL 339 - Aerogravity Gradiometry and 2D Seismic Program completed over Bowerbird structure;**
- **PPL 435 & 436 aerogravity and aeromagnetic data confirm favourable architecture for prospect generation**

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

During the quarter KPL completed a capital raising with a 19.9% placement to strategic investor Mr Phil Mulacek's PIE Holdings, L.P. whereby KPL issued 61.38M shares raising AUD18.4M prior to transaction costs. It is no coincidence that Mr Mulacek has taken such a strong position in KPL. He was the founder and former CEO of InterOil Corporation which discovered the major Elk-Antelope and Triceratops gas fields

adjacent to KPL's PPL 338 and 339. He also has a strong understanding of the petroleum prospectivity of Papua New Guinea (PNG) in general and the East Papuan Basin in particular. Kina has a strong balance sheet and is in a good position to capitalise on opportunities to grow its position in PNG, one of the most prospective hydrocarbon provinces in the region.

KPL's portfolio spans PNG from PPL 435 in the west to PPL 340 in the east. Since Kina's IPO in 2011, the company has built its data and proprietary knowledge base and has a good understanding of the geology, structural architecture and prospectivity of PNG. This regional knowledge positions KPL well to capitalise on opportunities as they are presented in this current period of low oil prices.

Kina accepts the prevailing consensus that the oil price will remain relatively low in 2015 but will build again through 2016/17. KPL is addressing its development and exploration opportunities in view of this pricing scenario and will only expend shareholder funds on activities and opportunities that are economic and value accretive. The company will continue its focus on maintaining a low cost structure as a lean and efficient operator.

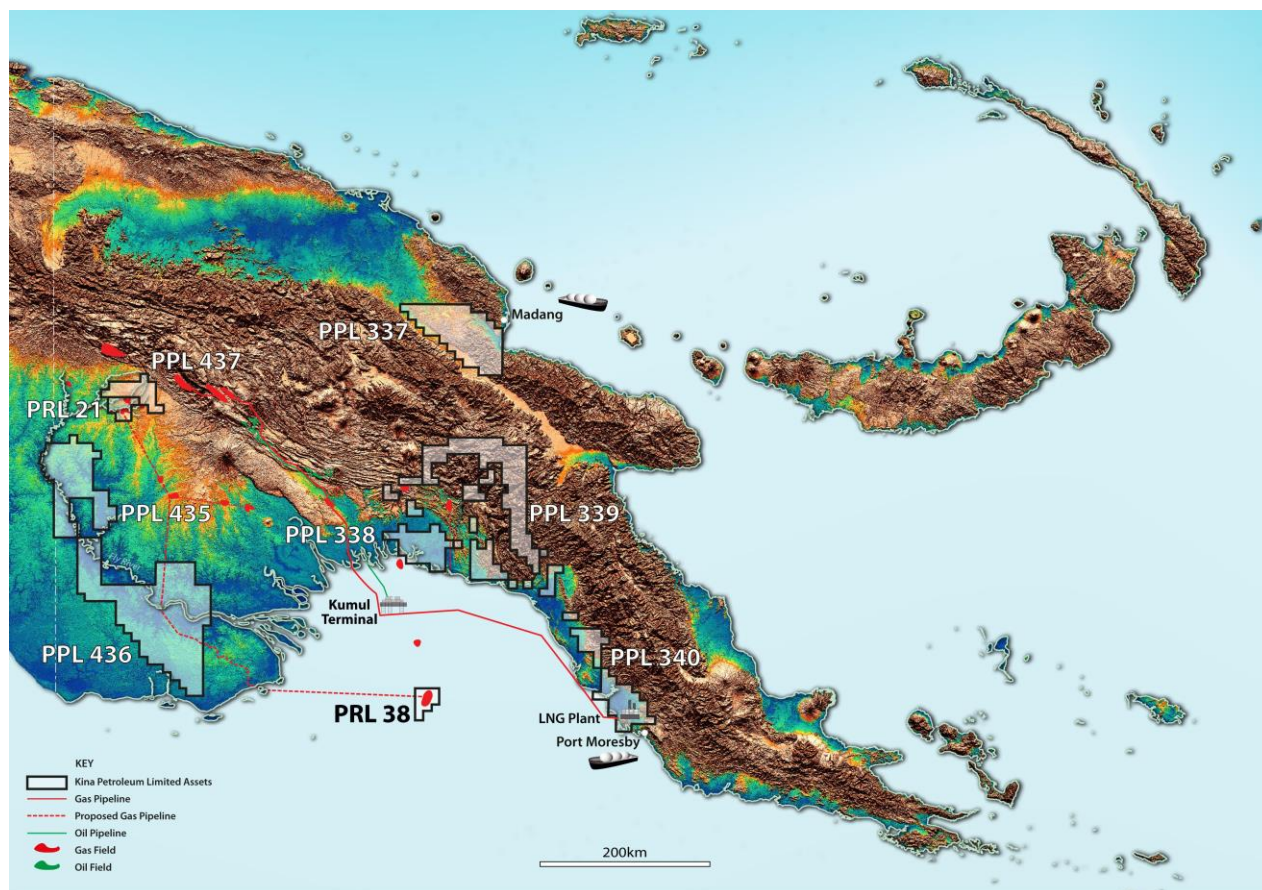
During the quarter, PRL 21 FEED activities progressed and whilst preparatory site and civil works for the drilling program in PPL 337 continued, they were hampered by weather with the rig currently in Madang awaiting mobilisation.

Data from the Gosur 2014 seismic program in PPL 437 have been interpreted and confirm an attractive drilling target at Malisa South adjacent to PRL 21. This result is very positive for PPL 437 but the Joint Venture will also evaluate the results of the recent Nama-1 well in the nearby PPL 259 in order to fully understand the prospect.

Drilling activity by InterOil at Bobcat-1 and Raptor-1 has highgraded on-trend prospects in PPL 338. A seismic reprocessing test has encouraged KPL to undertake complete reprocessing of all available seismic data over the Triceratops, Triceratops North, Mangrove and Nipa structures. Mangrove is a very large untested feature in PPL 338 and KPL is focussed on assessment of this prospect.

In PPL 339, pursuant to its Farm-In Agreement, Oil Search has completed an aerogravity gradiometry survey and 2D seismic program (Wulai 2014) over the Bowerbird prospect. Results of those surveys will be available in Q1 2015.

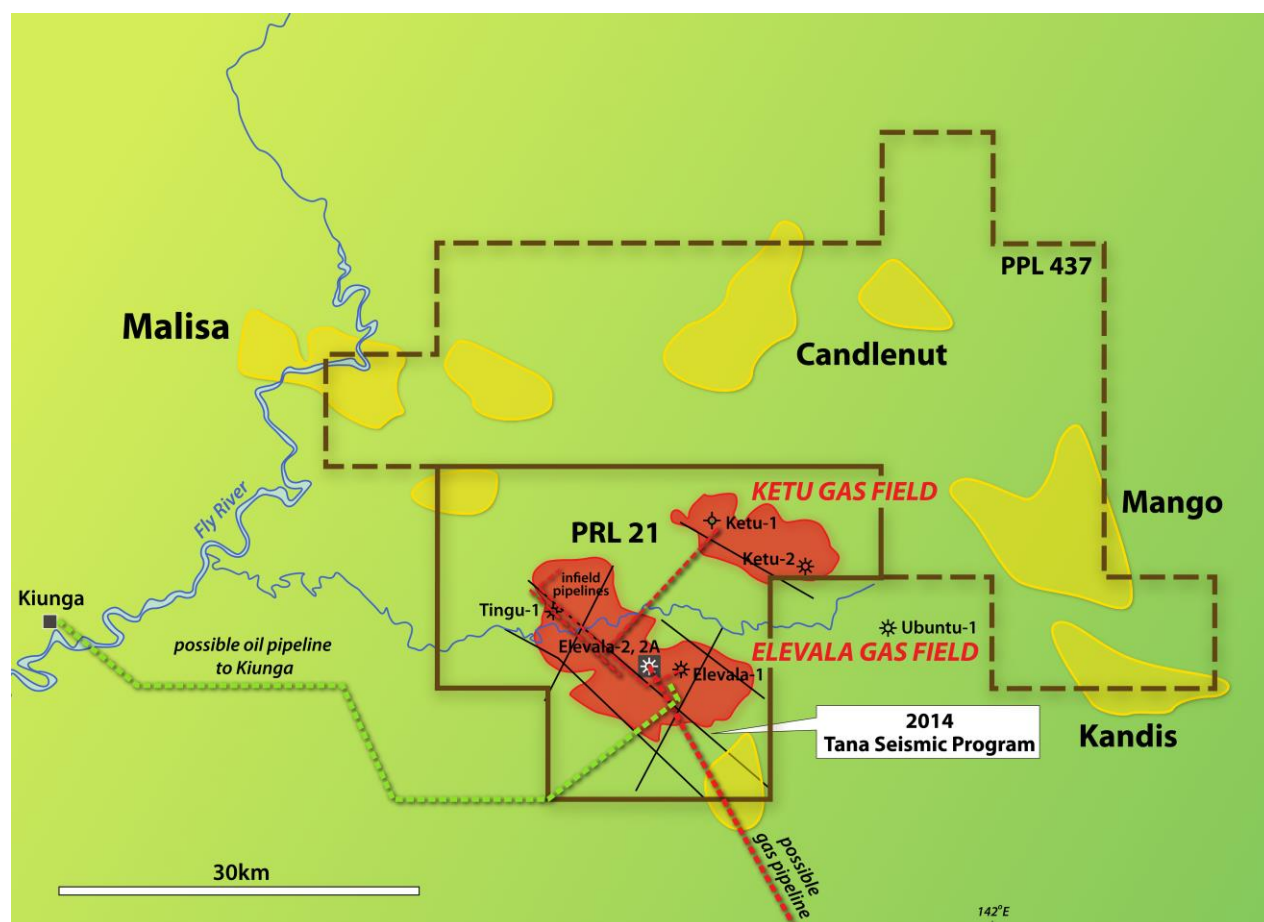
In Western Province, aerogravity and aeromagnetic surveys over PPLs 435 and 436 have been completed, interpreted and integrated with existing geophysical control to the southeast and west. A very interesting structural fabric is emerging which high-grades PPL 436 in particular. This new structural interpretation will be merged with data from adjacent Australian blocks prior to planning a seismic program for these licences.



PRL 21 (Kina interest 15%)

December quarter activity in PRL 21 focussed on FEED activities in respect of the liquids development, progressing contracting processes and completion of seismic acquisition ahead of FID. Data from the 2014 2D Tana Survey of 101.9 line km have been processed and interpretation is proceeding.

The economics of field development and development configuration will be reviewed in the current quarter, however the 1TCF of gas in PRL 21 remains a valuable strategic asset. There is strong interest in Western Province with the development of gas resources from P'nyang, Elevala, Ketu and Stanley - a cumulative resource of over 3TCF. LNG export infrastructure is now established in PNG which provides further potential avenues for the development of the Western Province gas fields.



PRL 38 (Kina Interest 25%)

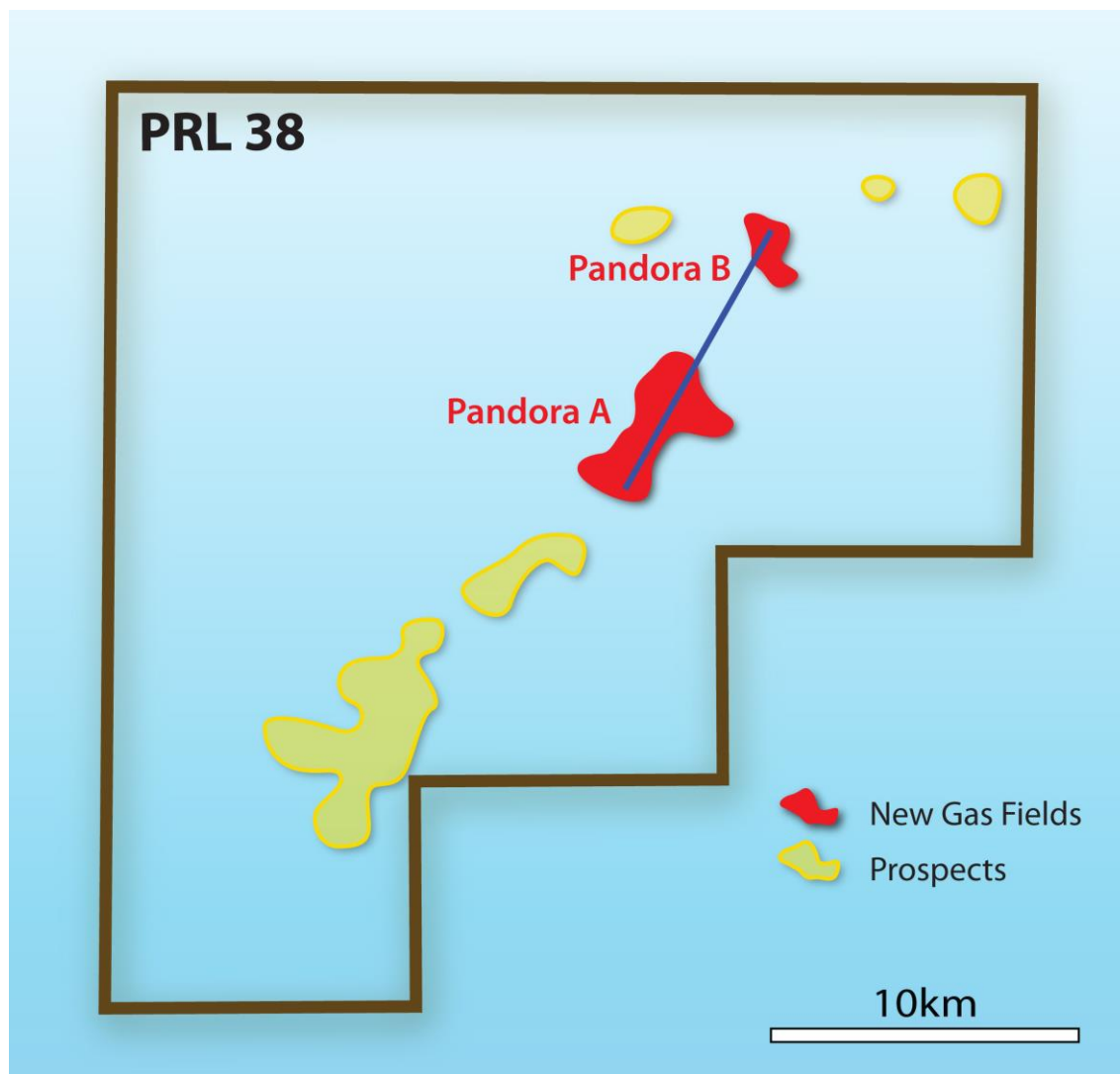
PRL 38, located offshore Gulf of Papua, incorporates the Pandora A and B reef gas discoveries. There are also prospective features between the A and B reefs and several undrilled reef structures. Kina believes this significant gas resource with its upside potential will see development either as a stand-alone project or in an aggregated development with other Western Province gas resources.

Potential development options for Pandora gas may include:

1. A floating LNG (FLNG) development option using a Build, Own, Operate (BOO) approach with the floating LNG operator absorbing the capital component of the development. This off balance sheet approach is attractive but the economic impact of lower oil and gas prices will need to be addressed.
2. Stand-alone platform development using a second hand jack-up rig. In the current oil pricing environment this concept may prove attractive as a large amount of North American hardware is moth-balled as a result of decreasing activity levels and fields being shut in;

3. Aggregation with other offshore discoveries and recent onshore discoveries in Gulf Province. KPL views this as an increasingly likely development scenario as Antelope, Triceratops and possibly Bobcat and Raptor move towards development. The infrastructure from such a development would be close enough to PRL 38 for inclusion of Pandora gas. Aggregation with other Western Province gas assets remains an obvious option and was the original premise for acquiring KPL's 25% interest in PRL 38.

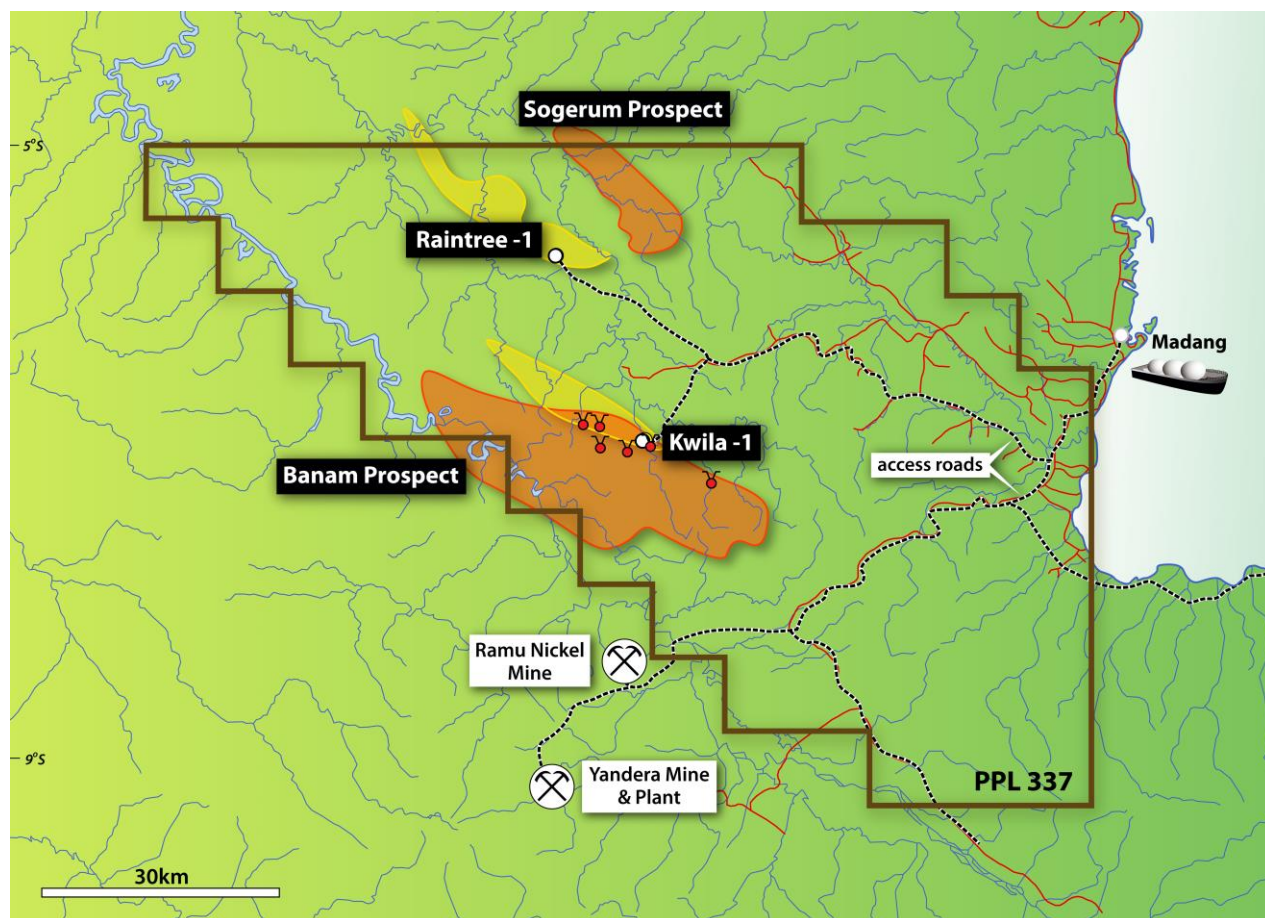
Other parties in PRL 38 include Talisman (25%) Santos (10%) and Cott Oil and Gas (40%). In the event of a change of strategy by some of these participants, KPL is well placed to build its position and further influence the development options for PRL 38.



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 PPL 337. In the event of success at either location, Kina will be carried through a follow-up seismic program of at least 100 line km and a minimum US\$8m cost. This activity is a significant milestone for KPL being the first exploration drilling to be undertaken by Kina outside of PRL 21. Furthermore, the Raintree and Kwila wells represent the first drilling activity in the North New Guinea Basin for over 20 years.

Upon completion of the drilling and subsequent seismic program Heritage will have earned a 70% interest and operatorship in the licence and Kina's retained equity will be 30%.



The first well was to have been Raintree-1 testing a carbonate reef, similar to the reservoir encountered in Elk-Antelope. The site has been built and boarded. A severe wet season in the north of PNG, however, has isolated the Raintree-1 rig site. The road is presently impassable into Raintree.

Heritage is looking at options to commence drilling activity sooner. The option of drilling Kwila-1 first may achieve this, and the site construction has been fast-tracked. Kwila is a flank test of Pleistocene and Miocene sandstone reservoirs. A flat spot anomaly on seismic data down-dip of active surface seeps high grades Kwila above Raintree in terms of likelihood of success.



The EDA Schramm TXD 200 Rig is in Madang waiting on improved weather prior to mobilising.



Raintree well pad – January 9 2015



Raintree access road showing current weather problems – January 9, 2015

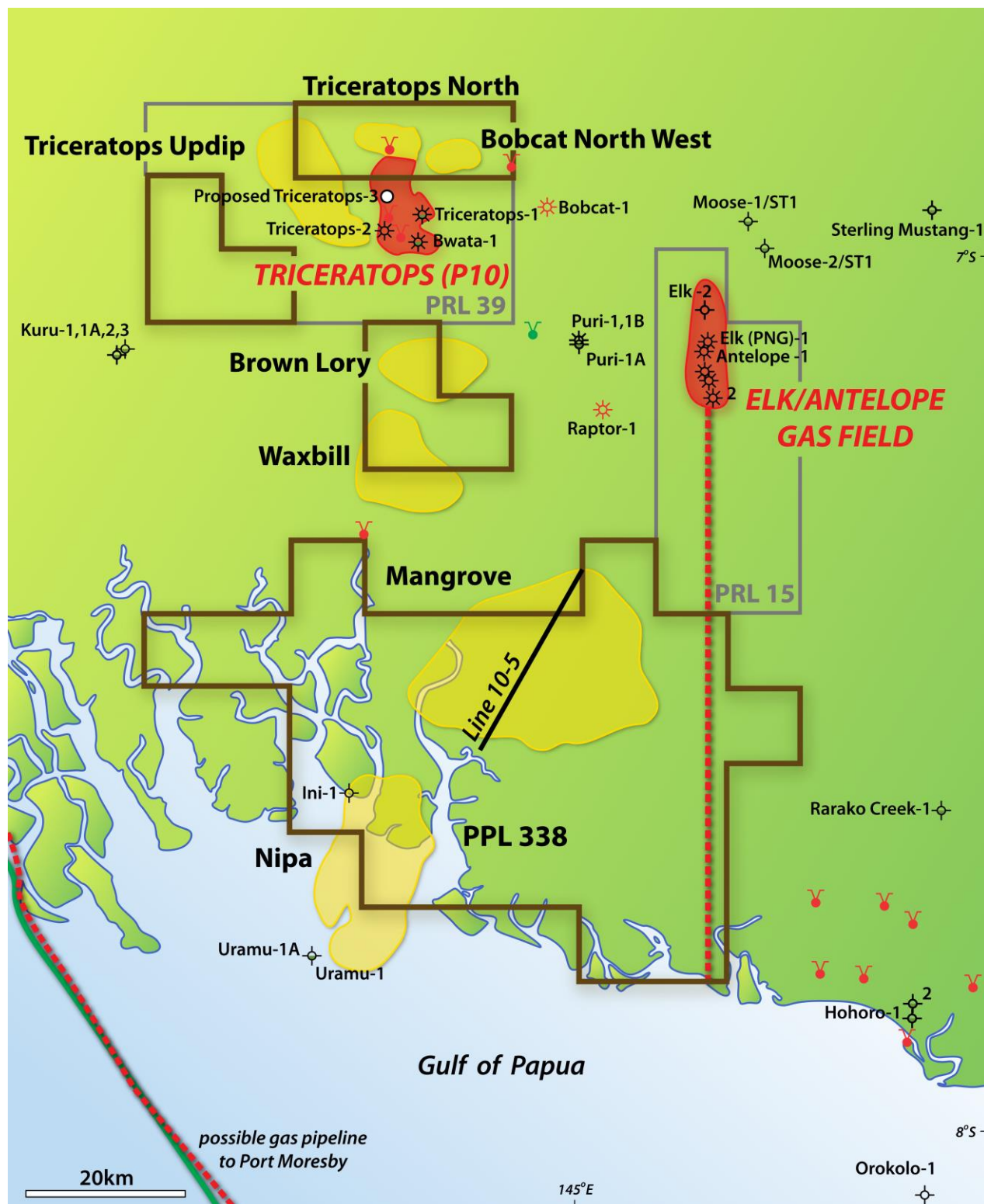
Full wireline evaluation of reservoir intervals will be conducted, with pressure and fluid sampling programmed. Both wells are targeting dry gas. Source risk is considered low as there are numerous seeps within the licence. There are numerous potential offtake partners in and around Madang, including 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. Subject to encouragement from Kwila-1 or Raintree 1, an appraisal seismic program will infill the existing three lines over Banam Anticline and/or Raintree.

PPL 338 (Kina 100%) and 339 (Kina 100%, subject to farmout arrangements with Oil Search)

PPLs 338 and 339 are located at the eastern margin of the East Papuan Basin, near Elk-Antelope gas discovery in PRL 15. The structures interpreted in Kina's two PPLs are analogous and on trend with several of the recent discoveries made by InterOil.

InterOil's (IOL's) Raptor-1 in the adjacent PPL 475 was drilled to 4,032m with gas and condensate recorded at surface from a 200m interval of Kapau limestone. Prospects in PPLs 338 and 339 are interpreted as analogues for the Raptor structure.

In central PPL 338, Kina recognises two leads: Waxbill and Brown Lory, both located west of Raptor-1. Brown Lory may be reefal and is along trend from Raptor and also interpreted to be up-dip of Puri-1 (1,610 bbl/day from a depth of 2260m).



InterOil's Bobcat-1 in the adjacent PPL 476 was drilled to 3,207m and tested over a 320m interval of Kapau limestone, flowing hydrocarbons at surface. Logging and testing indicate the well is close to a gas-water contact. InterOil's seismic data indicates the crest of the structure lies several km west, and several hundred metres higher than at Bobcat-1. Kina interprets two prospects in the northern portion of PPL 338: Triceratops North and Bobcat Northwest, up-dip and along trend from Bobcat-1.

Northern PPL 338 prospects - Triceratops Updip, Triceratops North and Bobcat Northwest - have a top reservoir target over 1000m shallower than those at Bobcat. KPL is currently reprocessing seismic data in the Triceratops area to high-grade future drilling locations.

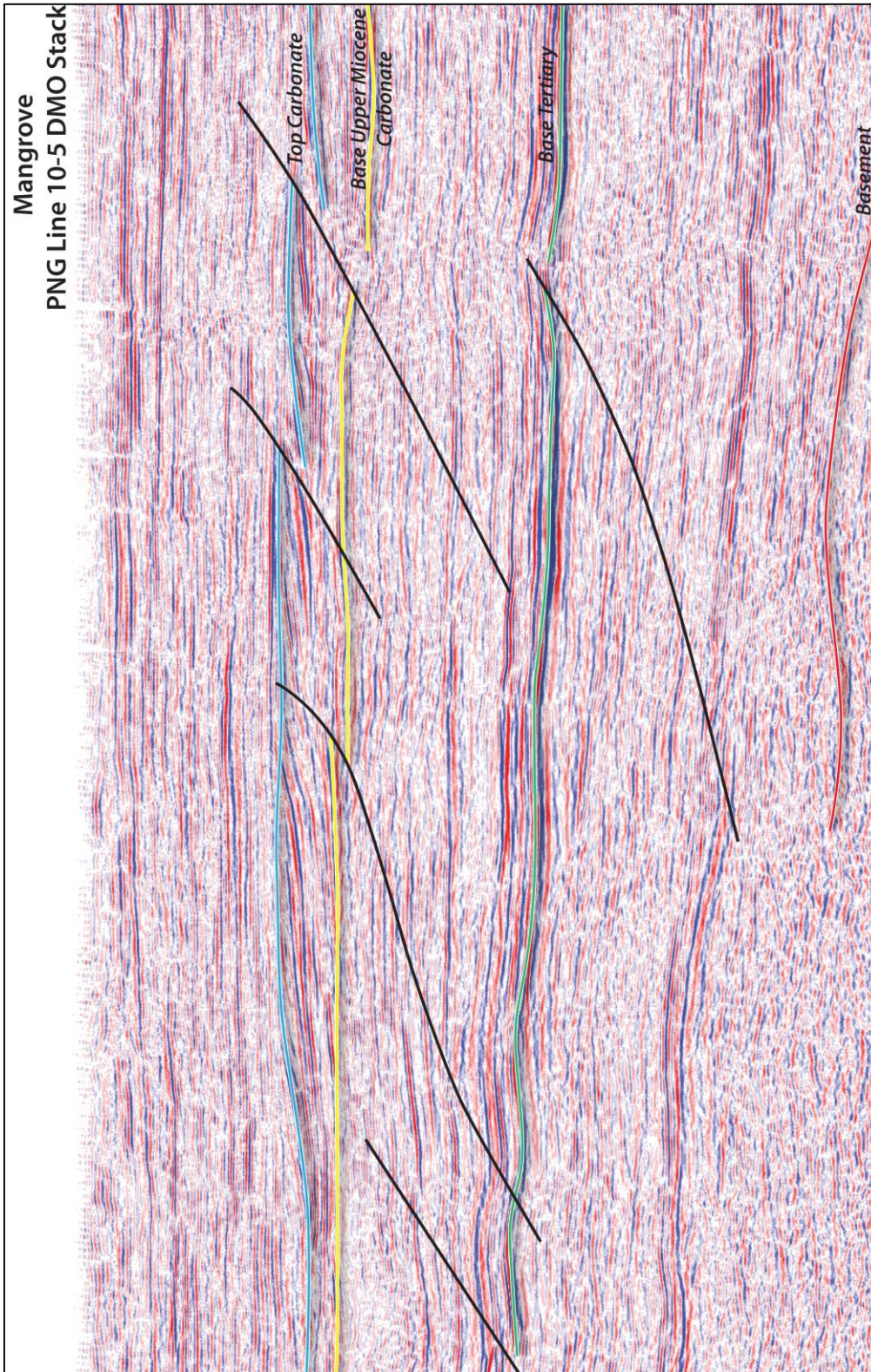
Further south in PPL 338 Kina interprets two very large prospects: Mangrove and Nipa. Mangrove now includes a previously separate closure called Crocodile. During the quarter KPL has undertaken seismic reprocessing tests of vintage data over Mangrove. The reprocessed data show significant improvement over the original. The improved resolution has allowed a better understanding of the Upper Miocene section within PPL 338.

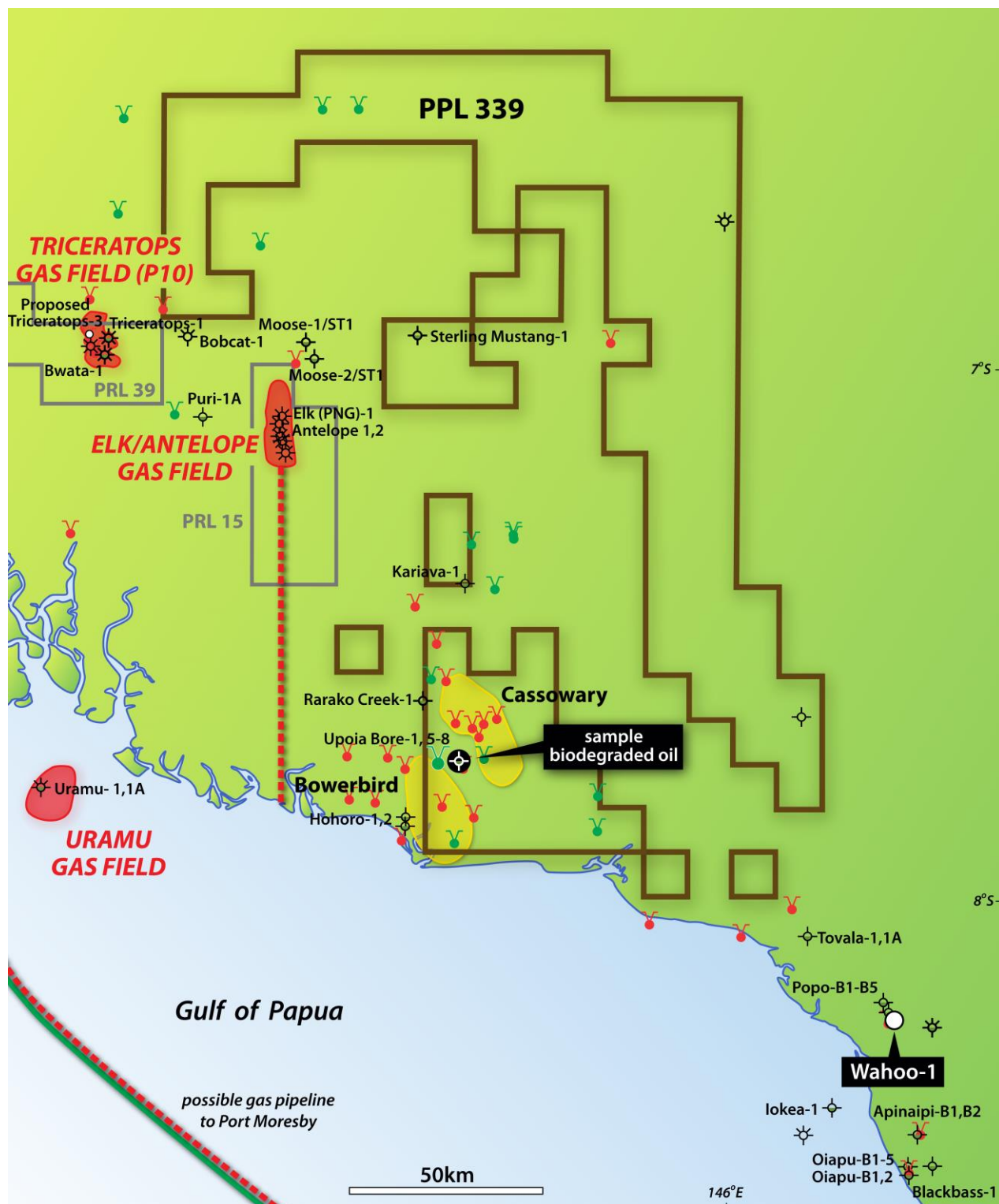
This Upper Miocene reservoir has not been tested in PPL 338 and the Mangrove closure is currently mapped at approximately 300 sq km. Carbonate build ups within the upper Miocene are supported by recent Strontium isotope analysis. At Mangrove, top reservoir may be as shallow as 800m below surface with vertical closure over 200m. A full appraisal of Mangrove will be finalised upon completion of the seismic reprocessing of the PPL 338 data in Q1 2015.

Nipa is a large mapped closure of up to 170 sq km between Mangrove to the north and the Uramu gas field to the south. Nipa is believed to be on trend with and analogous to the nearby Uramu and Mira structures. Uramu -1 (1968) intersected gas in a Miocene carbonate at a depth of 1860m and flowed gas at rates up to 24.4 MMSCFPD.

Mira-1 (1972) intersected upper Miocene carbonates at 1643m with high gas readings recorded in both the Pliocene clastic section and carbonate. A DST of the carbonate at 1646m flowed gas cut water at a rate of 1620 bbl/day. Kina's interpretation has Mira at the limit of the Nipa closure with a vertical relief of up to 690m and top carbonate at 1160m. Seismic reprocessing of data over the Nipa prospect will commence in Q1 2015.

Bowerbird and Cassowary Prospects are located within PPL 339 and are along trend with Elk-Antelope. During the quarter an aerogravity gradiometry program and a 2D seismic acquisition program were acquired by Oil Search over both structures. At the time of reporting these data were being processed. KPL intends to reprocess all data over Bowerbird & Cassowary to facilitate correlation with the more comprehensive data set in PPL 338.





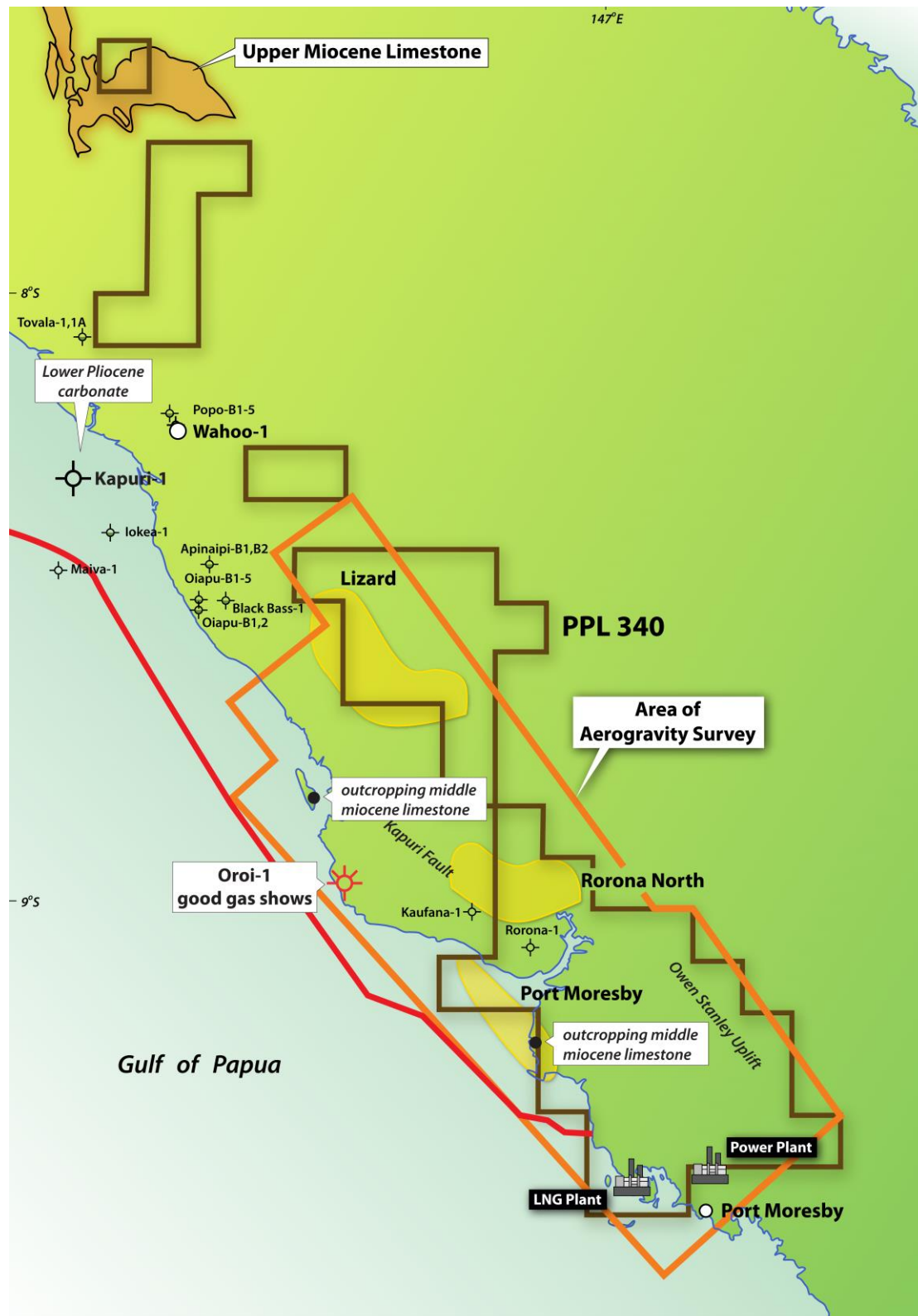
PPL 340 (Kina Interest 100%)

In Q3 2014, InterOil suspended drilling of Wahoo-1 due to the intersection of very 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. At present there has been no resumption of drilling at Wahoo-1.

Interpretation of the proprietary aerogravity and aeromagnetic survey over PPL 340 has high-graded three structural leads within PPL 340 and southeast of Wahoo-1: Port Moresby, Rorona Updip and Lizard.

The Lizard prospect is coincident with a ridge that demonstrates structuring in the upper Miocene conducive to carbonate growth. It has a shallow objective (approx. 650m depth) and is only 100km by road from the city of 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 to the south of gas intersected in Oro-1. It lies on an aerogravity high which appears to form part of the Kapuri platform. Seismic suggests a reef build up or rollover along a northwesterly plunging trend of uplifted and outcropping Port Moresby Association rocks to the southeast.



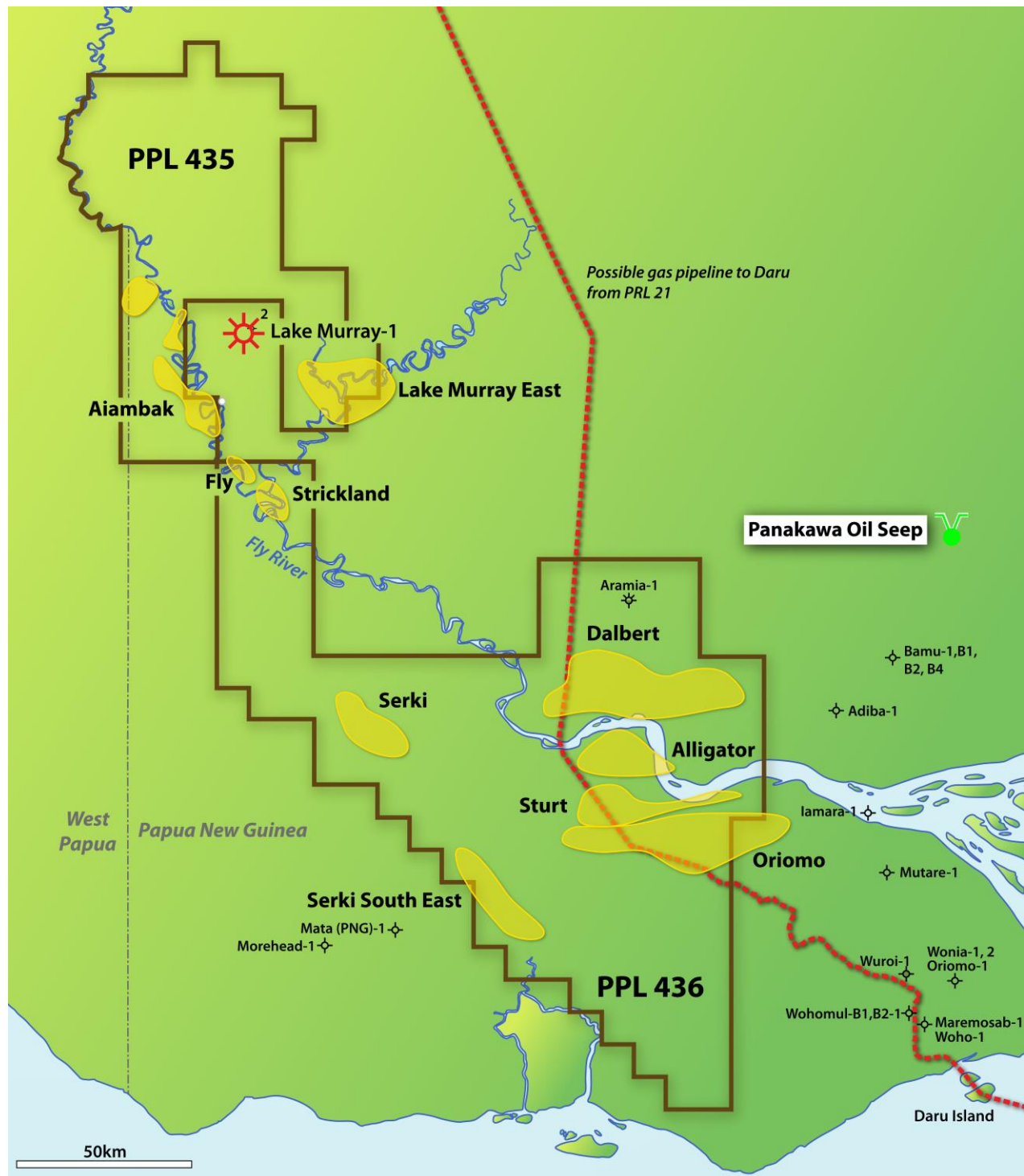
PPL 435 and 436 (Kina Interest 50% in both licences)

A proprietary integrated aerogravity and aeromagnetic data set now provides full gravity and aeromagnetic coverage over PPLs 435 & 436. Preliminary interpretation suggests two major zones of structural interest: a zone of Triassic basement north of the Fly Fault and an uplifted area of Palaeozoic/Proterozoic basement in the south, separated by a deep sedimentary pile (the Morehead Graben). Areas of primary interest remain the Oriomo High, containing the Dalbert, Alligator, Sturt and Oriomo prospects in PPL 436 and the Aiambak and Lake Murray East prospects in PPL 435.

At Aiambak there appears to be inversion along the Fly River fault which involves uplift of older reservoir rocks south of wet gas flows in Lake Murray-1. The commercial potential of the Aiambak area is enhanced due to its proximity to river transport at Aiambak port. Reprocessing will be undertaken over Aiambak and Lake Murray East features; Lake Murray East is a large simple drape over a basement high.

The Oriomo High area of PPL 436 is prospective based on the preliminary interpretation of the aeromagnetic and aerogravity data. It is a focus for oil generated from the east, being up-dip and on the drainage path from the Panakawa oil seep. It has multiple Jurassic and Early Cretaceous reservoir targets all at depths of 1800m or shallower.

KPL is commencing a major reprocessing effort of the existing seismic data base over PPLs 435 and 436. The focus of the reprocessing will be to confirm stratigraphy and thickness of reservoir sequences at Aiambak, Lake Murray East, Dalbert, Alligator, Sturt and Oriomo.



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

Interpretation of the 2014 Gosur Seismic Survey is nearing completion. The Malisa South Prospect was confirmed along trend from and analogous to the Tingu structure in adjacent PRL 21. Malisa South is the focus for the PPL 437 Joint Venture due to its proximity to the proposed PRL 21 development and the presence of good quality Elevala and Toro Sandstones intersected in Tingu-1 in 2013.

In Q4 2014 Horizon Oil spudded Nama-1 in neighbouring PPL 259. Nama was drilled to 3,533 m and encountered 77m of Elevala, Toro and Kimu sandstones. The sands were well developed and gas-saturated, however on the basis of reservoir properties the well was considered non-commercial.

Malisa South is 40km east of Nama-1 and is 35km north of Tingu-1 where reservoir quality is good. Based on the seismic interpretation out of Tingu and Stanley, Malisa South looks to have a well-developed reservoir sequence.

