



ASX ANNOUNCEMENT (ASX: KPL) 18 March, 2015

Exploration and Pre-drilling Update

Kina Petroleum Limited ("KPL") is pleased to provide an update in relation to exploration activity within certain of its licences in Papua New Guinea.

PPL 337

The farmin agreement with Heritage Oil Ltd ("Heritage") provided that KPL would be carried through the drilling and testing of two wells in the licence.

Preparation for drilling of these two wells is complete and a spud is imminent, with the rig in Madang awaiting mobilization to the drilling locations once weather conditions improve.

The heavy rainfall in January, February and early March has necessitated some repair work at the well sites, although these largely remain in serviceable condition as shown in KPL's recent quarterly report. The rain has however resulted in repeated flooding and degradation of access roads making them temporarily unusable.

Weather conditions have improved and engineering crews have been deployed to the access roads to carry out the remedial work necessary to allow passage of the rig and other heavy equipment. The work includes use of cement stabilization, compacting and gravel, while synthetic material (Geofabric) has been able to be used in areas less impacted by the wet weather.

It is estimated that this work will take 1 – 2 weeks to complete. Upon completion, the rig, the crew and other equipment for drilling will be mobilized immediately to site. It is intended that the Raintree well will be the first drilled.



PPL 338

Kina has recently commenced re-processing of vintage seismic data with a view to improving the integrity of Greater Triceratops, Mangrove, Nipa and Brown Lory prospects. Extensive testing of processing parameters were undertaken by 4 seismic processing companies and based on the results of the testing the contract was awarded to Velseis Processing based in Brisbane.

Preliminary commercial evaluation supports drilling of the Mangrove, Nipa and Greater Triceratops Prospects even at current oil prices. Top reservoir objective for Mangrove and Nipa Prospects are within the depth capacity of the EDA Schram 200 rig being used to drill Kwila and Raintree and this and similar rigs are being evaluated for a barge supported drilling program in PPL 338.

PPLs 435 & 436

The aerogravity/magnetic survey that was completed in 2014 has now been integrated with existing seismic control and in PPL 436 is supportive of prospect development at the Dalbert, Sturt, Alligator and Oriomo Highs. Within PPL 435 a new structural grain is emerging and is being re-evaluated in light of the new information.

KPL has now accessed existing seismic data which will be re-processed as part of the next phase of exploration activity. Once re-processed, the data will be interpreted and merged with the aerogravity/magnetic data to mature prospects and leads over which future seismic acquisition and drilling programs would focus. Consistent with Kina's proven exploration strategy, those potential future seismic and drilling programs will form the core of a farmout package.

PPL 437

On the back of the Gosur seismic program conducted in late 2014, KPL and its joint venture partner Heritage are focusing on interpretation of the data and maturing the Malisa South prospect.



Malisa remains an attractive target with multiple reservoirs identified in the Elevala, Toro and Kimu sandstones. Malisa is 35km north-northwest of the Tingu 1 well in PRL 21 which flowed at rates up to 46mmscft/day and up to 50-60bbls per mmscft from the Elevala Sandstone. The upside at Malisa South are the closures recognised in Toro and Kimu Sandstone intervals. This is of particular interest in view of the very good shows recognised in the Toro sandstone at Tingu 1.

Planning of early works in relation to a well in PPL 437 has commenced and will be reviewed throughout the course of the year.

Kina Petroleum's Managing Director, Richard Schroder, commented:

"The exploration programs now being undertaken are located in either relatively under-explored areas of Papua New Guinea or, in the case of PPL 338, proven play fairways.

In the case of PPL 337, the drilling that is shortly to commence will target gas and, in the event of success, will be high-impact given the commercialisation options that exist in the Madang region and surrounding areas. In PPLs 435 and 436, the data has indicated sub surface architecture capable of hosting large scale structures whose hydrocarbon potential would be tested in future seismic and drilling programs.

We are delighted that we are able to progress this activity in the current oil price environment and look forward to the imminent commencement of drilling in PPL 337 in particular."

For inquiries please contact:
Richard Schroder, Managing Director
Telephone: +61 2 8247 2500
Email: richard.schroder@kinapetroleum.com