



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

29 April, 2015

## **QUARTERLY ACTIVITIES REPORT FOR THE PERIOD: 1<sup>ST</sup> January, 2015 to 31<sup>ST</sup> March, 2015**

---

### **Highlights for the Quarter**

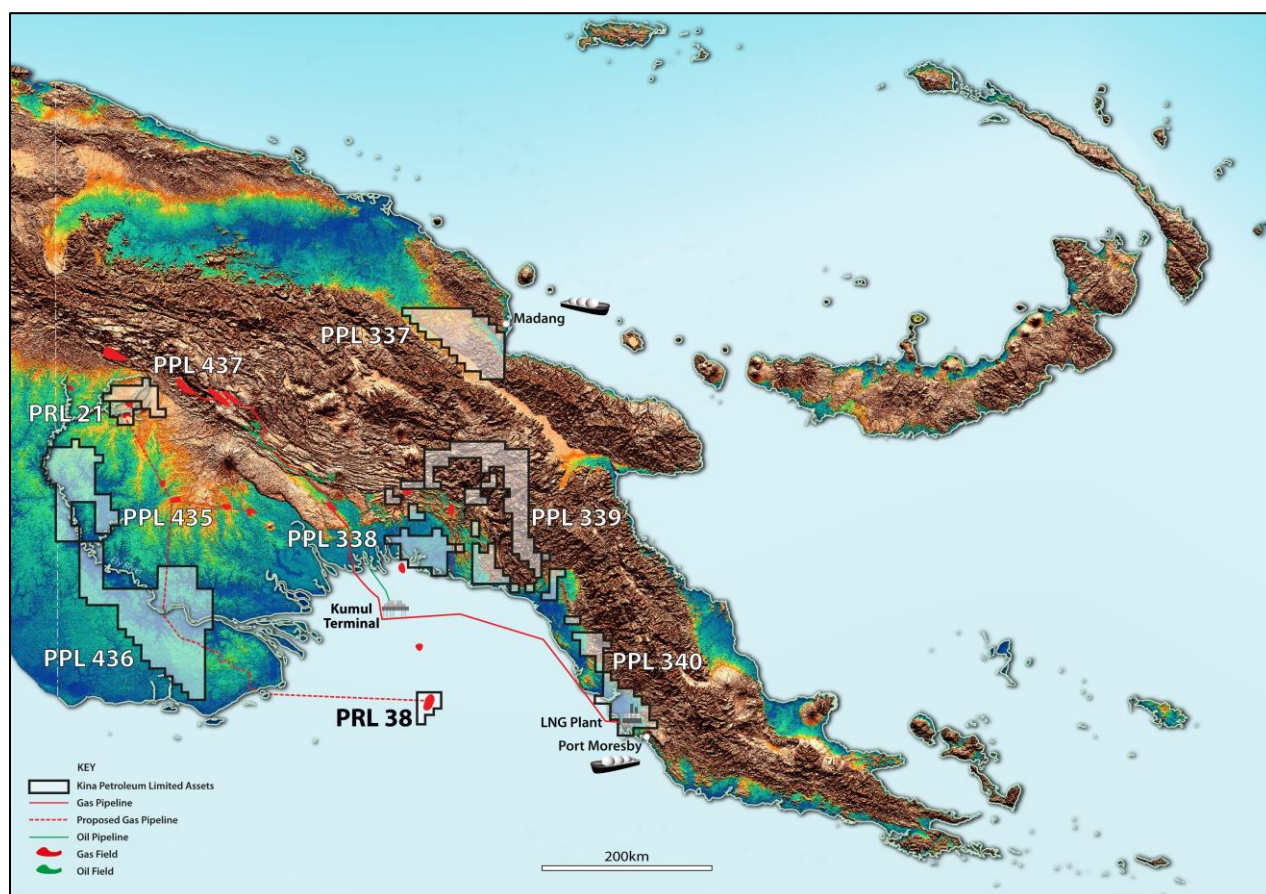
- **PRL 21 – Project team activity has focused on cost reduction, value engineering studies and completion of seismic interpretation to further define the field ahead of FID in 2015;**
- **PRL 38 – Kina continues to evaluate further exploration and appraise commercialisation options for Pandora.**
- **PPL 337 – Rig mobilised to Raintree well site during the quarter. At date of this report, rig is at site with rigging up and inspection nearly complete in advance of well spud;**
- **PPL 437 – Prospect analysis of Malisa South with a view to proceeding to exploration drilling;**
- **PPL 338 – Major seismic reprocessing program under way; Mangrove, Triceratops & Nipa leads high-graded;**
- **PPL 339 – 2014 seismic data received and vintage seismic reprocessing under way; Bowerbird structure high-graded;**
- **PPL 435 & 436 completion of regional 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 7 exploration licences across PNG.

KPL's portfolio spans the mainland of PNG from PPL 435 in the south-west to PPL 340 in the east. KPL has an excellent data base and proprietary knowledge. Company board and management have a broad and deep experience in country and 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.

KPL has no exposure to major capital demands in the short term. Although the recent upturn in oil prices is encouraging, KPL accepts the prevailing consensus that prices will remain low in 2015 but build through 2016/17. KPL is addressing its development and exploration opportunities in view of this pricing scenario. The company will continue its operating focus on maintaining a low cost structure as a lean and efficient operator.

*Map of KPL's licence areas*

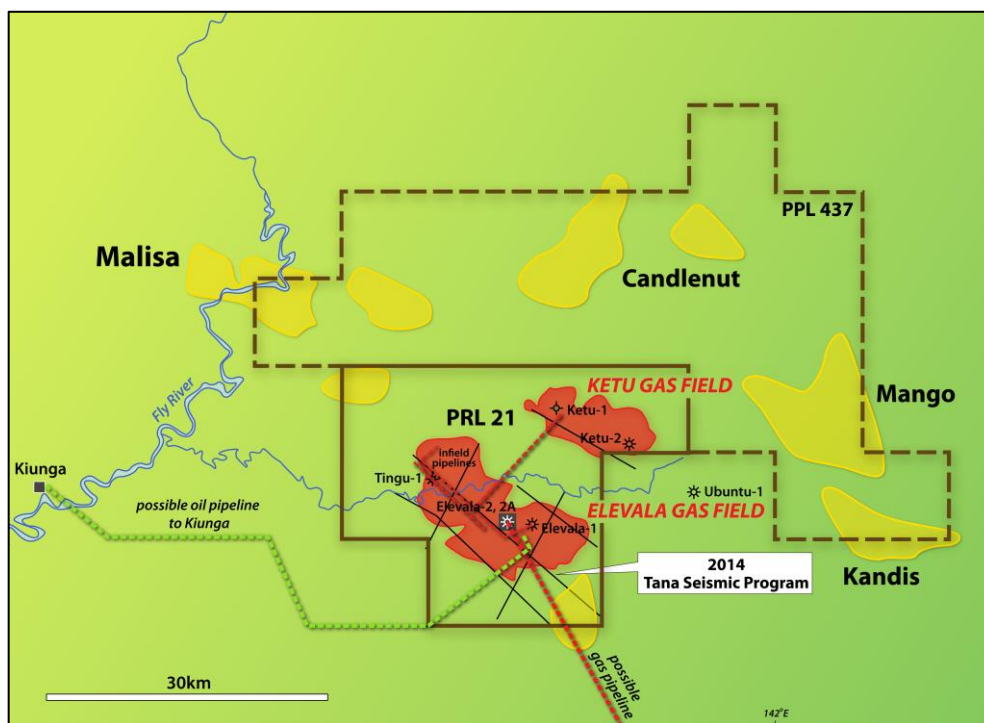


### PRL 21 (Kina interest 15%)

December quarter activity in PRL 21 focussed on FEED activities and value engineering in respect of the liquids development, refining 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 ongoing. The existing seismic data set is also being reprocessed and matched to Tana.

Due to the low oil price environment, the recent focus has been on capex optimisation and well as refining and optimizing the engineering design and improving cost estimate certainty to enhance project economics. The economics of field development and means of development were reviewed in the quarter, with the 1TCF of gas and associated liquids in PRL 21 remaining a valuable commercial asset.

Technical activity in the quarter comprised progressing the PRL 21 PDL application technical review process to its conclusion, with the operator transferring management to Port Moresby to facilitate government and regulatory progress.



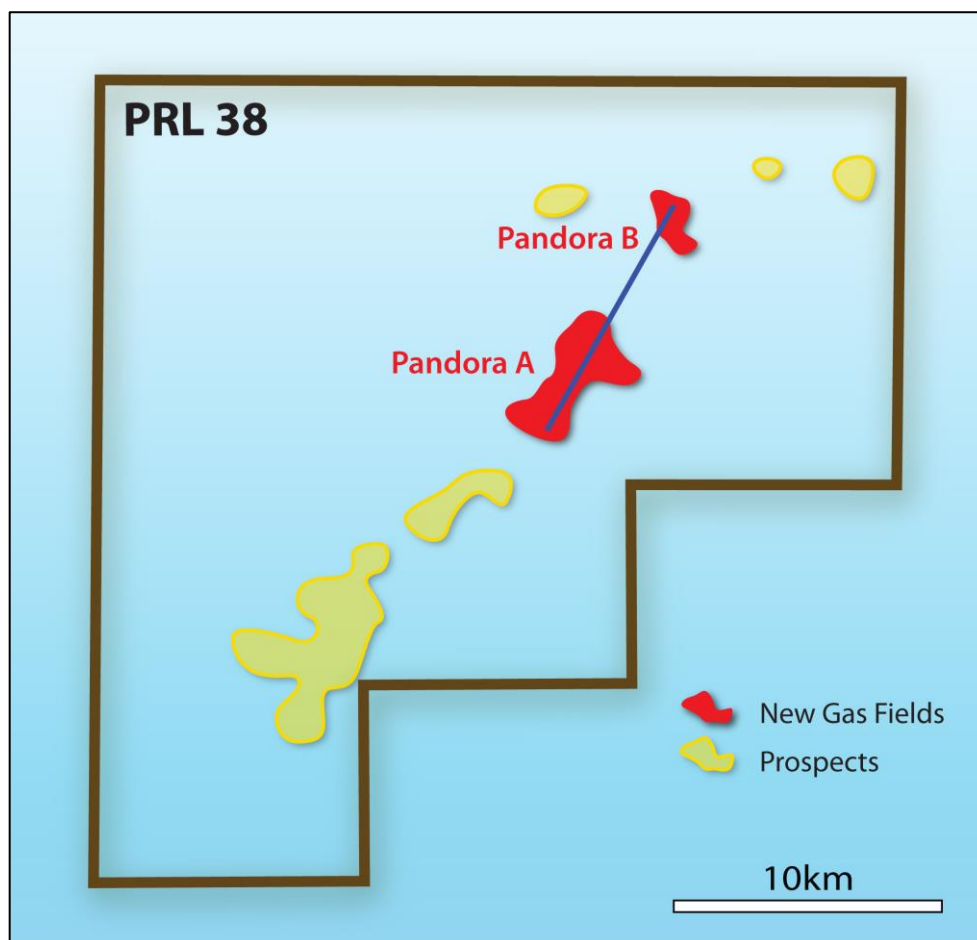
### PRL 38 (Kina Interest 25%)

Kina has a 25% share of PRL 38, with the JV partners being: Talisman (25%) Santos (10%) and Cott Oil and Gas (40%).

PRL 38 is located offshore Gulf of Papua and incorporates the Pandora A and B reef gas discoveries. There are also prospective additions between the A and B reefs and a further seven undrilled reef structures.

Kina believes this significant gas resource with its upside potential will see development either as a stand-alone development or in some aggregated development with Western Province gas developments. KPL is reviewing various development options for this gas.

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 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.

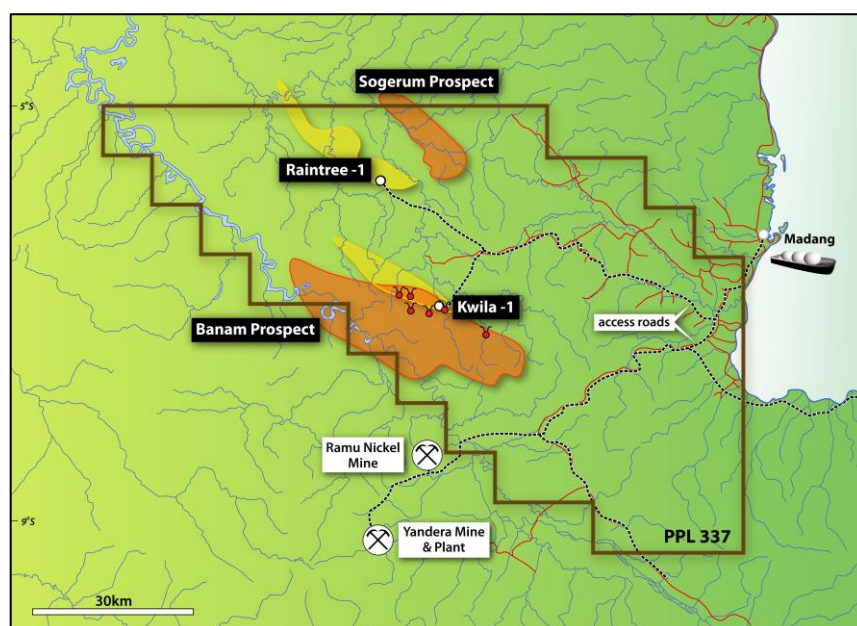


**PPL 337 (KPL Interest 90%, subject to Farmout arrangements with Heritage Oil Limited “HER”, 10%)**

KPL is being carried by HER through an uncapped, two-well drilling program in PPL 337. In the event of success at either location, KPL 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 KPL being the first exploration drilling to be undertaken on KPL acreage 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.

KPL has transferred 10% ownership to HER ahead of the drilling program to assist HER's operating requirements in PNG. Upon completion of the drilling program HER will have earned a 30% interest. Upon completion of any subsequent seismic program HER will have earned 70% interest and operatorship in the licence; KPL's retained equity will be 30%.

At the end of the quarter mobilisation was underway from Madang to site. At the date of this report the rig was on site with rigging up near complete, and a majority of loads of consumables and other drilling equipment also on site. Raintree-1 will be spudded following rig-up and inspection.



Raintree is designed to test a carbonate reef analogous to the reservoir in Elk/Antelope. The second well, Kwila-1 is a flank test of Pleistocene and Miocene sandstone reservoirs. The flat spot anomaly on seismic data down-dip of active surface seeps high grades Kwila above Raintree in terms of likelihood of success.

Full wireline evaluation of reservoir intervals will be conducted, with both 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 existing three lines over Banam Anticline and/or Raintree.

**Raintree rig site, photo taken over weekend of April 25/26, 2015**



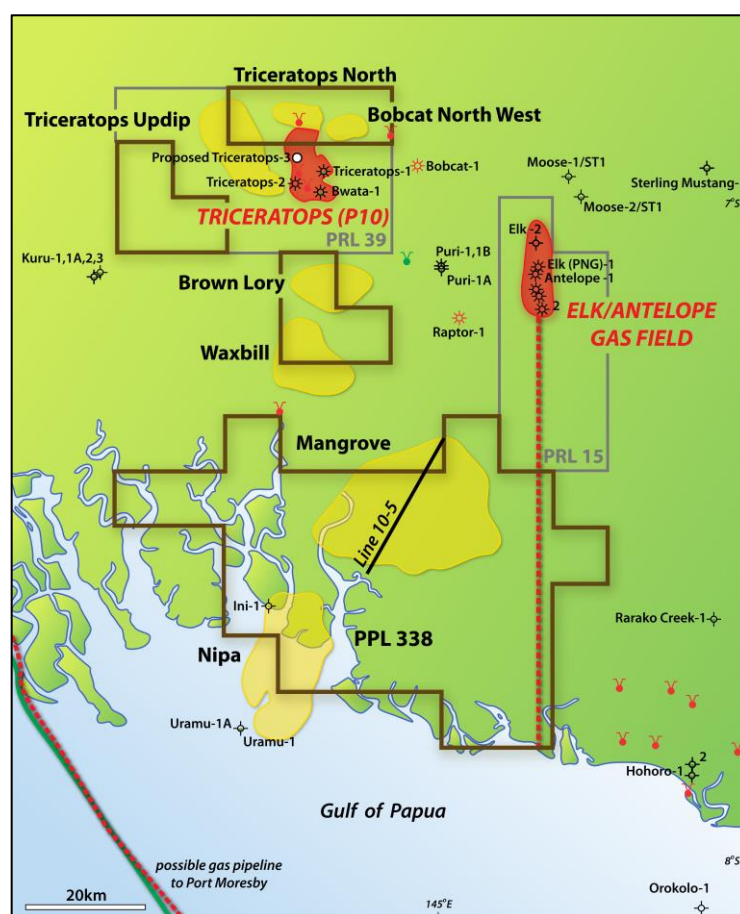
**DPE Officer William Keket at recent CA-landowner meeting**

### PPL 338 (KPL 100%)

PPL 338 is located in the eastern Papuan Basin, west and south of Elk-Antelope in PRL 15. During the quarter KPL commenced a large seismic reprocessing program of approximately 510 line km. Velseis is currently reprocessing seismic data from numerous programs and vintages to high-grade proposed drilling locations. As many of the proposed targets are relatively shallow (less than 1500m depth) KPL has commenced planning a multi-well program utilising a rig similar to the EDA Schramm currently working in PPL 337. KPL has progressed farm-in discussions with targeted partners.

Kina interprets a prospect in northern PPL 338: Greater Triceratops, up-dip and along trend from Triceratops-1 and Bobcat-1. Triceratops-3, to be drilled in 2015, is only three km from the PPL 338 boundary and could extend the Triceratops structure into PPL 338.

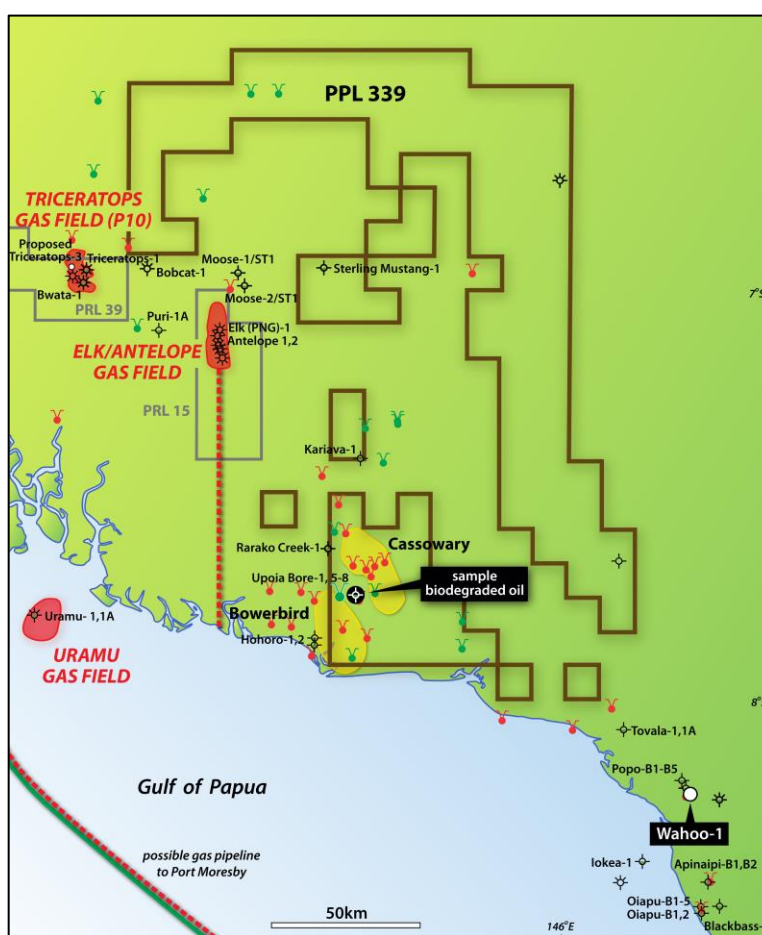
Further south KPL recognises two very large prospects: Mangrove is now mapped to include a previously separate closure called Crocodile. Nipa is a large closure between Mangrove to the north and Uramu gas field to the south. A full re-appraisal of Mangrove and Nipa awaits completion of the seismic reprocessing.



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

PPL 339 is located in the eastern Papuan Basin, south and east of Elk-Antelope. During the quarter KPL commenced reprocessing approximately 80 line km of vintage seismic within PPL 339. Velseis is currently reprocessing seismic data in conjunction with PPL 338 work to high-grade proposed drilling locations. As the proposed targets within PPL 339 are relatively shallow (less than 1500m depth) KPL has commenced JV discussions for a multi-well program utilising a rig similar to that currently working in PPL 337.

The Bowerbird and Cassowary features lie within PPL 339 and are along trend and south of the Antelope Gas field. During the quarter interpretation of the 2014 AGG program and 2D seismic acquisition program over Bowerbird and Cassowary prospects was finalised.



### PPL 340 (Kina Interest 100%)

PPL 340 is located at the eastern edge of the Papuan Basin on a mobile zone between an accretionary wedge to the east and the Australian plate in the west. Interpretation of the 2014 aerogravity and

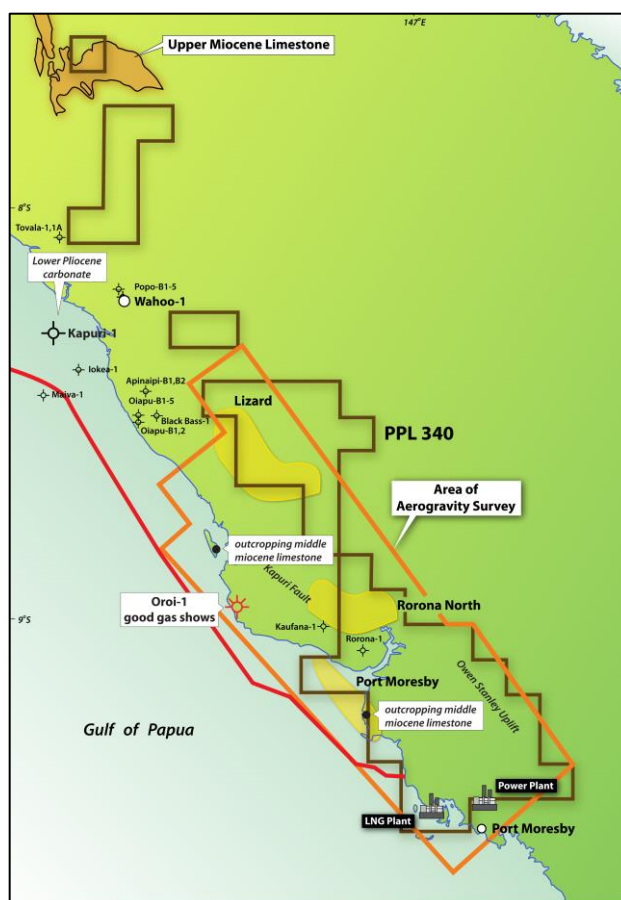
aeromagnetic survey over PPL 340 has high-graded three structural leads within PPL 340: Port Moresby, Rorona North and Lizard. KPL has commenced planning a multi-well program for PPLs 338, 339 and 340 utilising a rig similar to that currently working in PPL 337. KPL has also progressed farm-in discussions.

The Lizard prospect is a shallow objective (approx. 650m depth) and is 100km by road from the capital 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.

Rorona North prospect has a shallow objective of a Miocene or Pliocene-age reef anomaly with reservoir at 450m. The area of closure is approximately 50 km<sup>2</sup> and vertical relief is 100 meters. Rorona North is less than 50km by road from Port Moresby city.

Port Moresby prospect is a shallow objective (approx. 800m depth west of the Port Moresby Uplift. The prospect extends offshore beyond the PPL 340 boundary. KPL believes that a valid test of Port Moresby can be drilled from an onshore location.

A closed aerogravity high trend appears to form the uplifted Port Moresby High block up dip of a reservoir which outcrops at Baruni. Fluid inclusion analysis of the Baruni sandstone outcrops confirm that oil migration has occurred and high grades the Baruni Sand in the Port Moresby Prospect as an oil target. KPL will commence a reprocessing program of all available open file seismic data in the current quarter.



**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. Areas of primary interest remain the Oriomo High which contains the Dalbert, Alligator, Sturt and Oriomo prospects in PPL 436 and the Aiambak and Lake Murray East prospects in PPL 435.

Aerogravity and aeromagnetic data show a major change to the west of the Bosavi Lineament causing the basin bounding Fly River fault to change direction to north-south. This dog leg in the Fly River fault system establishes a zone of significance at Aiambak in PPL 435.

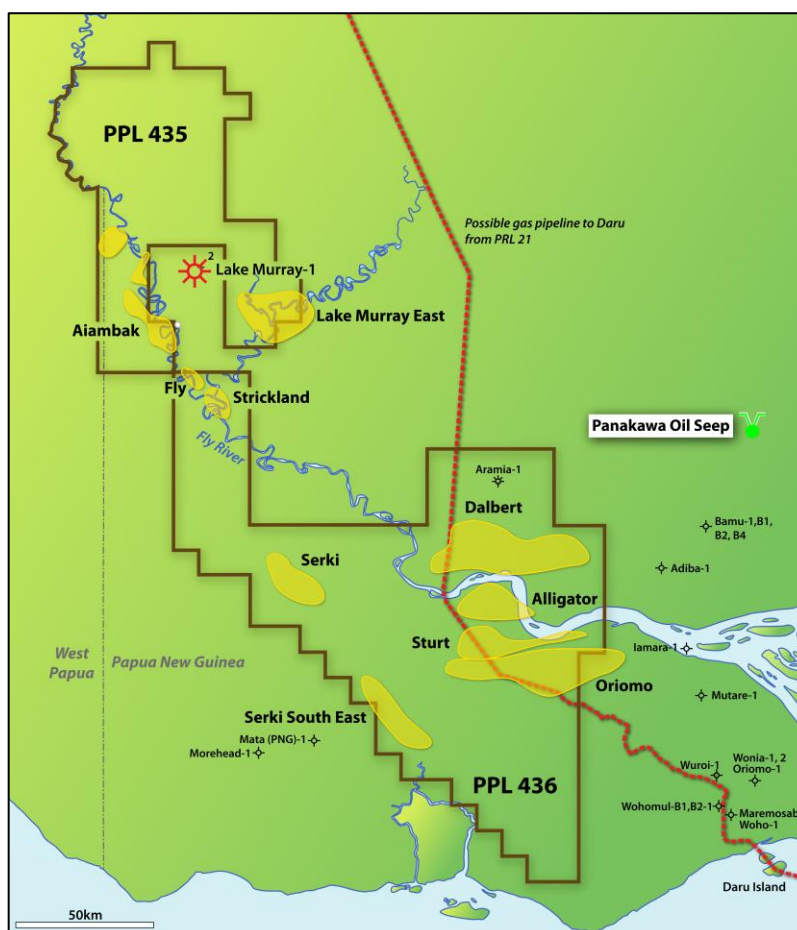
Coincident with the Aiambak Anomaly appears to be inversion along the Fly River fault which uplifts late Jurassic and early Cretaceous reservoir rocks south of wet gas flows in Lake Murray-1. Seismic reprocessing will be undertaken on the Lake Murray East feature comprising a simple drape over a basement high.

The Oriomo area of PPL 436 remains very prospective based on interpretation of the aeromagnetic and aerogravity data. It is a focus for oil 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. These targets may also be suitable for the shallow drilling campaign being proposed for PPLs 338-340.

The focus of current seismic interpretation is to confirm stratigraphy and thickness of reservoir sequences at Aiambak, Lake Murray East, Dalbert, Alligator, Sturt and Oriomo. Kina believes a viable oil source is present within the grabens surrounding the prospect fairway which was defined by KPL's 2014 aerogravity.

The Panakawa oil seep and the reported presence of oil in Wuroi-1 well bore has encouraged KPL to re-investigate several old wells to define the source rock story. Furthermore a high geothermal gradient at Aramia-1, presumably related to Permo-Triassic igneous basement, enhances the oil maturity of adjacent early tertiary and Late Cretaceous source rocks.

**Map of PPL 435 & 436 Licence Area**



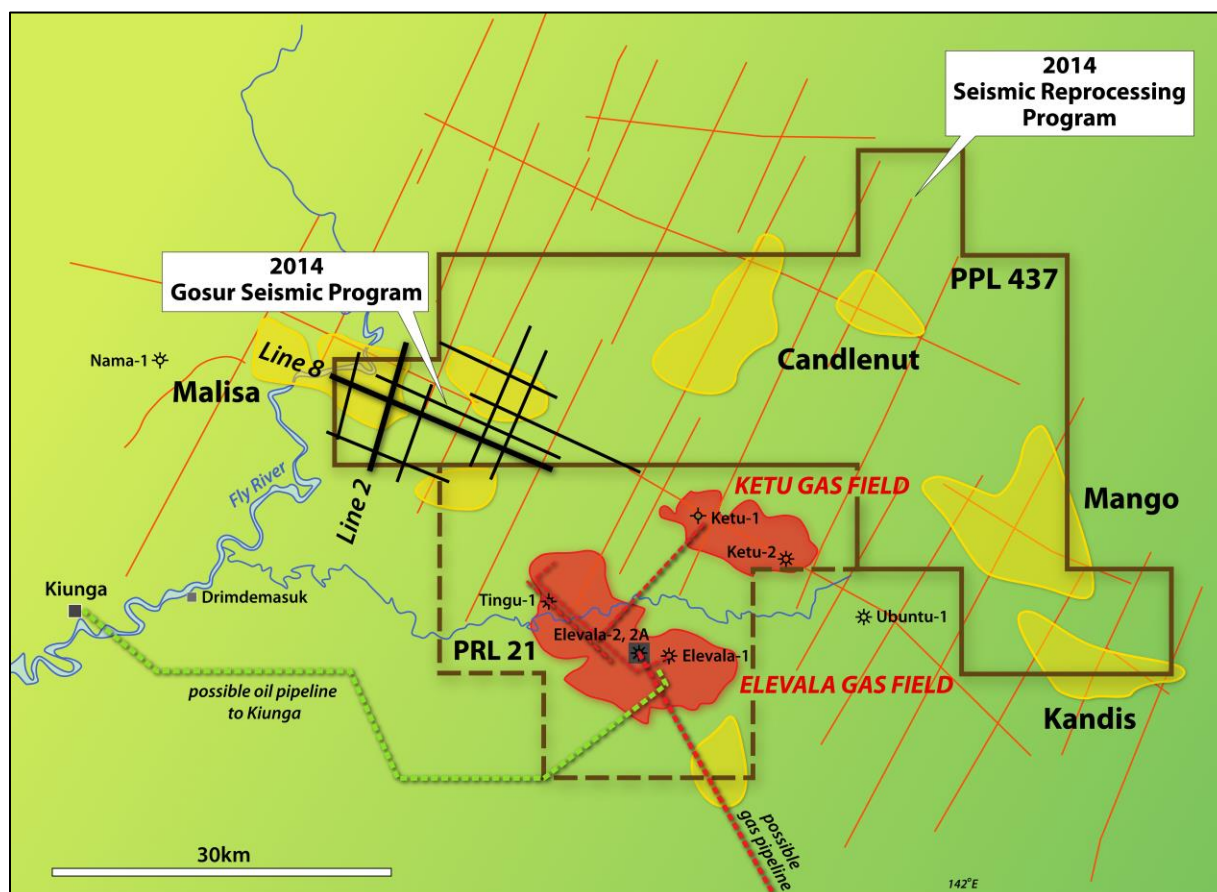
### **PPL 437 (KPL 87.5%, HER 12.5%)**

In late 2014 Wondecla Pty Limited opted to surrender its 20% holding in PPL 437 in exchange for a waiver from all ongoing costs related to that licence. Kina and Heritage then applied for ministerial approval for transfer of Wondecla's holding pro rata to the JV; this was granted.

In accordance with the terms of the PPL 437 Farmin Agreement, Heritage on completion of 100km of seismic acquisition in late 2014 (Gosur Seismic Survey) also earned the right to acquire 30% from Kina's original 80% holding. Ministerial approval of this transfer is expected in the second quarter of 2015.

Interpretation of Gosur seismic is largely complete and Malisa South was confirmed along trend from and analogous to the Tingu structure in adjacent PRL21. Malisa South is the focus for the PPL 437 JV 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 in 2013.

Heritage has begun planning and engineering studies to drill the Malisa Structure in 2015, including a scouting expedition to site the proposed location. The PPL 437 JV will continue to reprocess open file seismic data in the NE corner of PPL 437, those lines being primarily from the PN-6 survey.



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 March 2015

COMPANY NO.

1-63551

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter USD \$'000	Year to date (3 months) USD \$'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(1,322)	(1,322)
	(b) development	(709)	(709)
	(c) production	-	-
	(d) administration	(410)	(410)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	16	16
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (J/V Operator Fee income)	17	17
	<b>Net Operating Cash Flows</b>	<b>(2,408)</b>	<b>(2,408)</b>
<b>Cash flows related to investing activities</b>			
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)	-	-
	<b>Net investing cash flows</b>	-	-
1.13	Total operating and investing cash flows (carried forward)	-	-
1.13	Total operating and investing cash flows (brought forward)	(2,408)	(2,408)
	<b>Cash flows related to financing activities</b>		
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)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(2,408)	(2,408)
1.20	Cash at beginning of quarter/year to date	15,418	15,418
1.21	Exchange rate adjustments to item 1.20	(163)	(163)
1.22	<b>Cash at end of quarter</b>	12,847	12,847

**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	1,100

4.3	Production	-
4.4	Administration	400
<b>Total</b>		<b>2,250</b>

### 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	12,847	15,418
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>12,847</b>	<b>15,418</b>

### 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	PPL 337 Approval was received for transfer of a 10% participating interest to Heritage. This to facilitate commercial and operational efficiencies.	100%	90%
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	<b>Preference securities</b> (description)	Nil			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	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	-	-  -	-	-
7.5	<b>+Convertible debt securities</b> (description)	Nil			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> (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	<b>Performance Shares</b> (totals only)	Nil	Nil		
7.12	<b>Unsecured notes</b> (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: .....29/4/15.....

(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.