



## NOTICE OF ANNUAL MEETING

### CHAIRMAN'S ADDRESS

4th May 2015

Dear Shareholder,

On behalf of the Directors of Kina Petroleum Limited, I am pleased to present our Annual Report for the 2014 financial year and to invite you to the 2015 Annual Meeting of the Company, which is to be held on Thursday 21st May 2015 at 11 am in Port Moresby.

The last twelve months has seen another high level of activity as the Company continued to implement its strategy of leveraging large exploration positions through farm-out and other arrangements with sound joint venture partners, continuing with its own exploration and development activities and more recently attracted a strategic cornerstone investor to the Company register in Mr Phil Mulacek's PIE Holdings LP.

Highlights of 2014 included:

- Subscription by Mr Phil Mulacek's PIE Holdings LP for 19.99% of the share capital of the Company, providing enhanced certainty of funding for pre-development and other activity.
- Lodgement with the Government of PNG of Petroleum Development Licence and Pipeline Licence applications for the proposed PRL 21 liquids stripping development.
- Completion of a 102 km seismic program over the Elevala/Ketu/Tingu fields in PRL 21 to support planning of well locations for the proposed liquids stripping development.
- Completion of an aerogravity survey over PPLs 435 & 436 of almost 12,500 km in preparation for Farmout and seismic program delineation.
- Completion of a 106km seismic acquisition program in PPL 437 aimed at delineating the Malisa South lead as a drillable prospect.
- Acquisition of an additional 7.5% participating interest in PPL 437 upon the withdrawal of Cott Oil and Gas Limited from the licence.
- Commencement of preparatory drilling activity in PPL 337 ahead the drilling that is now underway.
- Confirmation of the Company holding a 100% interest in the PPL 338 licence which is believed to contain an extension of the Triceratops field. PPL 338 is in the same play fairway as, and in close proximity to, the Elk/Antelope discovery. The licence also borders the acreage in which the Triceratops field was discovered.

### Existing Projects

The Company's exploration and development projects as at the date of this Notice are set out below. These assets are considered to be prospective for oil and gas and work programmes have been developed.

<b>License</b>	<b>Prospect</b>	<b>Ownership</b>	<b>Operator</b>
PPL 337	Banam/Kwila	Kina 90% (with Heritage Oil Ltd having the ability to earn a further 60% participating interest, in addition to their existing 10% participating interest, via funding the drilling of two wells).	Kina, subject to Farmin arrangements with Heritage Oil Ltd.
PPL 338	Triceratops Extension / Iviri South	Kina 100%.	Kina
PPL 339	Wulai	Kina 100% (with Oil Search (PNG) Ltd having the ability to earn a 70% participating interest through funding seismic and drilling exploration expenditure).	Kina, subject to Farmin arrangements with Oil Search (PNG) Ltd.
PPL 340	In progress	Kina 100%	Kina
PPL 435	In progress	Kina 50%	Kina
PPL 436	In progress	Kina 50%	Kina
PPL 437	Malisa South	Kina 57.5% (with Heritage Oil Ltd having the ability to earn a further 20% and operatorship in addition to their existing 42.5% participating interest through funding Kina's share of the drilling of a well	Kina, subject to farmin arrangements with Heritage Oil Ltd
PRL 21	Elevala/Ketu/ Tingu Fields	Kina 15%	Horizon Oil Ltd
PRL 38	Pandora Fields	Kina 25%	Talisman

The resolutions to be considered at the Annual General Meeting relate to:

- i. the adoption of the Director's remuneration report;
- ii. the election and re-election by rotation of existing Directors;
- iii. refresh the ability of the Board to place an additional 10% of its issued capital during the next 12 months pursuant to Listing Rule 7.1A, should the Board deem it appropriate; and
- iv. the ratification of shares issued to PIE Holdings in November 2014 to enable the Board to refresh the ability of the Board to place an additional 15% of its issued capital during the next 12 months pursuant to Listing Rule 7.1 should the Board deem it appropriate.

I would like to thank all of the Kina shareholders for their support over the past 12 months and we look forward to continued success over the coming year, a period during which we expect a number of significant exploration and development events to occur.

Yours sincerely,

**Richard Robinson**  
**Non-Executive Chairman**

## NOTICE OF ANNUAL MEETING

Notice is given that the Annual Meeting of Shareholders of Kina Petroleum Limited (“**Kina**” or the “**Company**”) for 2014 will be held on **Thursday 21<sup>st</sup> May 2015 at 11 am** (PNG time) at Laguna Hotel Banquet 1, Section 136 Allotment 8, Waigani Drive National Capital District, Port Moresby, Papua New Guinea.

The Explanatory Memorandum accompanying this Notice of Annual Meeting provides additional information on matters to be considered at the Annual Meeting. The Explanatory Memorandum and Proxy Form part of this Notice. The Directors have determined that, pursuant to section 106 of the *Companies Act* 1997 (PNG), the persons eligible to vote at the Annual Meeting are those who are registered shareholders of the Company as at close of business on **Wednesday 6<sup>th</sup> May 2015**.

### BUSINESS

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#### FINANCIAL STATEMENTS

To receive and consider the financial statements of the Company and its controlled entities for the year ended 31<sup>st</sup> December 2014 and the related Directors’ Report, Directors’ Declaration and Auditors’ Report.

#### RESOLUTION 1: ADOPTION OF DIRECTORS’ REMUNERATION REPORT

To adopt the Directors’ Remuneration Report for the year ended 31<sup>st</sup> December 2014.

#### Voting Exclusion

The Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the key management personnel of the Company (including Directors) (“**KMP**”), or their closely related parties, as well as any undirected votes given to a KMP as proxyholder. However the Company need not disregard a vote cast by a KMP or closely related party of the KMP if:

- it is cast by a person as proxy for a person who is permitted to vote, in accordance with the directions on the Proxy Form; or
- it is cast by a person chairing the meeting as proxy for a person who is permitted to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### RESOLUTION 2: ELECTION OF DIRECTOR (Mr David Vance)

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*“That Mr David Vance, having being appointed in accordance with the Company’s Constitution as a director of the Company to fill a casual vacancy until the next general meeting, retires and, being eligible offers himself for election, is hereby elected as a director of the Company”.*

#### RESOLUTION 3: RE ELECTION OF DIRECTOR (Mr Barry Tan)

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*“That Mr Barry Tan who retires in accordance with clause 15.3 of the Company’s Constitution and, being eligible, offers himself for re-election, is hereby re-elected a director of the Company”.*

#### RESOLUTION 4: RE ELECTION OF DIRECTOR (Mr Richard Robinson)

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*“That Mr Richard Robinson who retires in accordance with clause 15.3 of the Company’s Constitution and, being eligible, offers himself for re-election, is hereby re-elected a director of the Company”.*

## RESOLUTION 5: APPROVAL OF 10% PLACEMENT FACILITY

To consider, and if thought fit, pass the following resolution as a **special resolution**:

*"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, shareholders approve the issue of equity securities up to 10% of the issued capital of the Company calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on Resolution 5 by a person who may participate in the proposed issue under the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of shares in the Company, if Resolution 5 is passed, and any associates of the aforementioned persons. However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

*The Chairman of the Annual Meeting intends to vote all available proxies in favour of Resolution 5.*

## RESOLUTION 6: RATIFICATION OF PRIOR ISSUE OF SHARES

To consider and, if thought fit, to pass the following resolution as an **ordinary** resolution:

*"That for the purposes of Listing Rule 7.4 and for all other purposes, the Company approves and ratifies the prior issue on 7 November 2014 of 61,379,783 fully paid ordinary shares in the capital of the Company, on the terms set out in the Explanatory Memorandum accompanying this Notice of Annual Meeting."*

### Voting Exclusion

The Company will disregard any votes cast on Resolution 6 by any person, and any of their respective associates, who participated in the prior issue of shares made on 7 November 2014. However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

*The Chairman of the Annual Meeting intends to vote all available proxies in favour of Resolution 6.*

DATED: 4 May 2015

By order of the Board.

**Richard Schroder**  
Managing Director

## NOTES:

### Explanatory Memorandum

The Notice of Annual Meeting should be read in conjunction with the accompanying Explanatory Memorandum.

### Eligibility to vote

In accordance with the *Companies Act 1997* and the Company's Constitution, a person's entitlement to vote at the Annual Meeting will be determined by reference to the number of fully paid shares registered in the name of that person (reflected in the register of members) at close of business on **Wednesday 6<sup>th</sup> May 2015**.

### Proxy votes

A shareholder entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote in their place.

Where more than one (1) proxy is appointed, the appointment may specify the proportion or number of votes that the proxy may exercise, otherwise each may exercise half of the votes.

A proxy need not be a shareholder.

A form of proxy must be signed by the shareholder or the shareholder's attorney.

Proxies must reach the Company at least forty eight (48) hours before the meeting at which the person named in the proxy form proposes to vote.

The addresses for lodgement of proxies are:

### Australian Shareholders:

Physical Delivery Address:	Postal Delivery Address:	Fax Number:
Kina Petroleum Limited C/- Link Market Services Limited Level 12, 680 George Street Sydney South NSW 1235 <b>(do not use this address for mailing purposes)</b>	Kina Petroleum Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235	+612 9287 0309

### Papua New Guinea Shareholders:

Physical Delivery Address:	Postal Delivery Address:	Fax Number:
Kina Petroleum Limited  C/o PNG Registries Limited Level 2, AON Haus McGregor Street Port Moresby, NCD, Papua New Guinea <b>(do not use this address for mailing purposes)</b>	Kina Petroleum Limited  C/o PNG Registries Limited PO Box 1265 Port Moresby, NCD, Papua New Guinea	+675 321 6379

### **Key Management Personnel as proxy**

If a shareholder appoints a member of the key management personnel (**KMP**) (which includes each of the Directors) or a closely related party of any KMP as proxy, such KMP or closely related party is not able to vote a proxy on Resolution 1 unless the shareholder directs them how to vote by marking the box on the Proxy Form (Step 2) for Resolution 1.

If a shareholder appoints the Chairman of the Meeting as proxy, the shareholder can direct the Chairman how to vote by either marking the boxes on the Proxy Form for Resolution 1 (Step 2), or by marking the Chairman voting direction box on the Proxy Form (Step 1) in which case this will be considered to be an express direction to the Chairman of the Meeting to vote in favour of the proposed resolution in Resolution 1. If the voting direction boxes are not completed in either Step 1 or Step 2, then the Chairman will not cast any votes on your behalf on Resolution 1.

### **Undirected Proxies**

Subject to the above, the Chairman of the Meeting intends to vote undirected proxies in favour of all of the resolutions. However, the Company encourages all shareholders who submit proxies to direct their proxy how to vote on each resolution by marking the boxes on the Proxy Form (Step 2) for each item of business.

### **Directed Proxies**

Under the Company's Constitution, the rules relating to how a proxy must vote directed proxies are as follows:

- the proxy must cast or abstain from casting a vote on the item of business as directed;
- the proxy must, on a poll, cast the votes as to which a direction is given by the instrument of proxy in accordance with that direction;
- but if the shareholder does not indicate how the proxy must cast that vote, the proxy may cast or abstain from casting the vote as the proxy determines.

### **Power of Attorney**

If a proxy is signed by a shareholder's attorney, the shareholder's attorney confirms that he or she has received no revocation of authority under which the proxy is executed and the authorities under which the appointment was signed or a certified copy thereof must also be received at least forty eight (48) hours before the meeting.

### **Bodies Corporate**

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of a company's shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

### **Questions for the Auditor**

Shareholders may submit written questions for the auditor up to five business days before the date of the Annual Meeting. Shareholders wishing to do so may send their questions to the Company c/- Suite 3, Level 6, 9 -13 Young Street, Sydney, NSW 2000, and the Company will pass them on to the auditor.

### **2014 Annual Report**

Copies of the Company's 2014 Annual Report for the financial year ending 31<sup>st</sup> December 2014 ("**Annual Report**") comprising the Annual Financial Reports, Directors' Report and Auditor's Report of the Company and the Company's controlled entities will be distributed to those shareholders requesting a physical copy of these documents. The Company's Annual Report is able to be viewed at the Company's website at [www.kinapetroleum.com](http://www.kinapetroleum.com)

### **Enquiries**

Shareholders are invited to contact the Managing Director, Mr Richard Schroder on **+61 2 8247 2500** if they have any queries in respect of the matters set out in these documents.

## EXPLANATORY MEMORANDUM

### KINA PETROLEUM LIMITED

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#### INTRODUCTION

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This Explanatory Memorandum has been prepared to assist shareholders in considering the Resolutions set out in the Company's Notice of Annual Meeting. This Explanatory Memorandum forms part of, and should be read in conjunction with, the Company's Notice of Annual Meeting, for the Company's Annual Meeting to be held on **Thursday 21<sup>st</sup> May 2015 at 11 am** (PNG time) at Laguna Hotel Banquet 1, Section 136 Allotment 8, Waigani Drive National Capital District, Port Moresby Papua New Guinea. Terms used in this Explanatory Memorandum are defined in the Glossary at page 16 of this Explanatory Memorandum.

#### BUSINESS

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#### FINANCIAL STATEMENTS

The Companies Act 1997 (PNG) requires that the Financial Report (including the Directors' Report, Financial Statements and the Audit Report) be laid before the Annual Meeting. Although not requiring a vote of shareholders, an opportunity will be provided for shareholders to ask questions on the reports, including of the Company's auditor, who will be available to answer shareholders questions relating to the Audit Report.

#### RESOLUTION 1: ADOPTION OF DIRECTORS' REMUNERATION REPORT

The Board is committed to creating value for shareholders by applying the Company's funds productively and responsibly. A portion of the funds available to the Company is applied to remunerate your Non-Executive Directors.

Your Board is aware of the sensitivities of shareholders to remuneration practices generally, and submits its remuneration report to shareholders for consideration and adoption under a non-binding resolution.

The Remuneration Report appears within the Directors' Report in the Company's Annual Report and describes the remuneration practices of the Company and the rationale underpinning those practices.

The Company has elected to follow recent amendments to the Corporations Act 2001 (Cth) so that:

- (a) the Company will disregard any votes cast on this item of business by any member of "Key Management Personnel" (**KMP**) of the Company and their closely related parties, except as directed by any proxies; and
- (b) a 'two-strike' process in relation to the advisory and non-binding vote on the remuneration report will be introduced. Under the two-strike process if, at two consecutive annual meetings, at least 25% of votes cast on a resolution that the remuneration report be adopted are against adoption of the report, at the second of these annual meetings, there must be put to the vote a resolution that another meeting be held within 90 days at which all Directors (except the Managing Director) who were Directors when the 25% 'no' vote was passed must stand for re-election.

“KMP” are people having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, and include Directors.

“Closely related parties” includes certain family members and dependents of KMP and companies they control.

#### **Directors’ Recommendation**

Noting that each Director has a personal interest in their own remuneration the subject of this resolution, the Board does not consider it appropriate to make a recommendation to shareholders in relation to voting on this resolution.

#### **RESOLUTION 2: ELECTION OF DIRECTOR (Mr David Vance)**

David Vance was appointed to the board on November 10<sup>th</sup>, 2014 and is a senior corporate and project finance attorney and CFA charter holder with more than 25 years of experience in Asia and the US. He holds an A.B. degree from Stanford University and received his J.D. (with honors) from the University of Texas School of Law. He is a member of the New York (State) Bar.

As a former partner in private practice with two major US law firms, David represented some of the world’s largest infrastructure and financial institutions in complex, first-of-its-kind transactions, including numerous “Deals of the Year” for Asia. He was also recognized as a leading lawyer for project finance in Japan by an industry publication. David moved in-house to focus on oil and gas matters in PNG and other countries, initially with InterOil Corporation and now as Upstream Counsel for Asian Oil & Gas Pte Ltd., in Singapore.

#### **Directors’ Recommendation**

The Board (other than Mr Vance) recommends the election of Mr Vance.

#### **RESOLUTION 3: RE-ELECTION OF DIRECTOR (Mr Barry Tan)**

Appointed March 2009 on the formation of Kina Petroleum Limited as the Executive Director, Barry Tan is a naturalised citizen of Papua New Guinea and has spent over 35 years in Papua New Guinea developing and operating various businesses in Papua New Guinea. Barry is currently Chairman of TST Trading, Chairman of the TST Group of Companies that span property development and running supermarket franchises in PNG and also diversified industry through Starland Freezers, Tanpac, Kokoda Tailoring.

Barry brings to the company a wealth of knowledge in understanding the culture of PNG and the most efficient way to run a business. Barry also has a strong network of interpersonal relationships in commerce in PNG through his various associations.

#### **Directors’ Recommendation**

The Board (other than Mr Tan) recommends the re-election of Mr Tan.

#### **RESOLUTION 4: RE-ELECTION OF DIRECTOR (Mr Richard Robinson)**

Richard Robinson has over 35 years’ experience in the Oil & Gas sector and has been involved with the PNG Oil & Gas industry since 1988. He has worked for a number of upstream companies including; Esso, Woodside, Santos, BP and Oil Search. He has also worked for gas transmission and international engineering companies.

Richard's background includes extensive experience in; upstream and pipeline development projects, production and drilling operations management and asset management. He has



worked extensively throughout Australia and PNG as well as other parts of SE Asia. From 2010 to 2013 as Executive General Manager - PNG Operations for Oil Search, Richard was responsible for all Oil & Gas production and associated drilling operations in PNG.

### **Directors' Recommendation**

The Board (other than Mr Robinson) recommends the re-election of Mr Robinson.

## **RESOLUTION 5: APPROVAL OF 10% PLACEMENT FACILITY**

### **5.1 General**

Listing Rule 7.1A permits an "eligible entity" which has obtained shareholder approval by special resolution passed at an annual general meeting to issue "equity securities" (as defined in the Listing Rules and which includes shares and options to acquire shares) up to 10% of its issued share capital through placements over a maximum 12 month period after the relevant annual general meeting (the **10% Placement Facility**).

The issue of equity securities under the 10% Placement Facility would be in addition to the Company's ability to issue equity securities without Shareholder approval under Listing Rule 7.1. Broadly, Listing Rule 7.1 permits the Company to issue up to 15% of its issued equity capital without Shareholder approval over a 12 month period.

An "eligible entity" for the purposes of Listing Rule 7.1A is an entity that, as at the date of the relevant special resolution under that Rule, is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. If the special resolution were voted on at the date of the Notice, the Company would satisfy the eligible entity requirements, and the Directors believe that the Company would continue to satisfy those requirements on the date of the Annual Meeting.

Whilst the Company has no current intention to raise capital via this 10% Placement Facility, the directors are of the opinion that it is prudent to have such a facility in place to provide flexibility on capital raising alternatives should they be required in the coming 12 months. The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue equity securities under the 10% Placement Facility.

The effect of Resolution 5 will be to allow the Directors to issue equity securities under Listing Rule 7.1A during a maximum period of 12 months after the Annual Meeting without Shareholder approval and in addition to the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

### **5.2 Description of Listing Rule 7.1A**

Listing Rule 7.1A came into effect on 1 August 2012.

#### **(a) Shareholder approval**

The ability to issue equity securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

#### **(b) Equity Securities**

Any equity securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of equity securities of the Company. The Company, as at the date of

the Notice, has on issue two classes of equity securities, being ordinary shares and options to subscribe for ordinary shares.

**(c) Formula for calculating 10% Placement Facility**

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during a period of up to 12 months after the date of the annual general meeting (see paragraph (f) below – "10% Placement Period"), a number of equity securities calculated in accordance with the following formula:

**$(A \times D) - E$**

**A** is the number of fully paid ordinary shares on issue 12 months before the date of issue or date of agreement to issue:

- (A) plus the number of fully paid ordinary shares issued in the 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid ordinary shares that became fully paid in the 12 months;
- (C) plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of ordinary shares under Listing Rule 7.1 or 7.4;
- (D) less the number of fully paid ordinary shares cancelled in the 12 months.

*Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.*

**D** is 10%

**E** is the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

**(d) Listing Rules 7.1 and 7.1A**

The ability of an entity to issue equity securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of the Notice, the Company does not have capacity to issue any further shares without shareholder approval under Listing Rules 7.1 or 7.1A, due to this capacity being used through the issue of new shares being issued to PIE Holdings LP in November 2014. However, if Resolutions 5 and 6 are approved, the Company will have the capacity to issue (without further shareholder approval):

- (i) 46,034,838 equity securities under Listing Rule 7.1; and
- (ii) 30,689,892 equity securities under Listing Rule 7.1A.

The actual number of equity securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the equity securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 5.2(c)).

**(e) Minimum Issue Price**

The issue price of equity securities issued under Listing Rule 7.1A must be not less than 75% of the VWAP (volume weighted average price) of equity securities in the same class calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the equity securities are to be issued is agreed; or
- (ii) if the equity securities are not issued within 5 ASX trading days of the date in paragraph (i) above, the date on which the equity securities are issued.

**(f) 10% Placement Period**

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; and
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

(the **10% Placement Period**).

**5.3 Information required by Listing Rule 7.3A**

Listing Rule 7.3A sets out a number of matters which must be included in a notice of meeting seeking an approval under Listing Rule 7.1A. The following information is provided for that purpose.

**(a) Minimum Price**

See section 5.2(e).

**(b) Risk of dilution**

Any issue of equity securities under the 10% Placement Facility will dilute the interests of Shareholders who do not receive any shares under the issue.

There is a risk that:

- (i) the market price for the relevant equity securities may be significantly lower on the date of the issue of the equity securities than on the date of the Annual Meeting; and
- (ii) the equity securities may be issued at a price that is at a discount to the market price for the relevant equity securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the equity securities.

The table below shows the potential dilution of existing Shareholders on the basis of an issue price of \$0.23 (being the market price of the Company's shares as at 29<sup>th</sup> April 2015) and the current value for the variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice

The table also shows:

- (i) two examples where variable "A" has increased, namely by 50% and by 100%. Variable "A" could increase as a result of issues of shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- (ii) two examples of where the assumed issue price of \$0.23 has changed: one, where it has decreased by 50% and two, where it has increased by 100%.

		<b>50% decrease in Issue Price</b> \$0.115	<b>Issue Price</b> \$0.23	<b>100% increase in Issue Price</b> \$0.46
<b>Current Variable "A"</b> 306,898,921	<b>10 % voting dilution</b>	30,689,892 shares	30,689,892 shares	30,689,892 shares
	<b>Funds raised</b>	\$3,529,337	\$7,058,675	\$14,117,350
<b>50% increase in current Variable "A"</b> 460,348,382	<b>10 % voting dilution</b>	46,034,838 shares	46,034,838 shares	46,034,838 shares
	<b>Funds raised</b>	\$5,294,007	\$10,588,012	\$21,176,025
<b>100% increase in current Variable "A"</b> 613,797,842	<b>10 % voting dilution</b>	61,379,784 shares	61,379,784 shares	61,379,784 shares
	<b>Funds raised</b>	\$7,058,675	\$14,117,350	\$28,234,700

The table has been prepared on the following assumptions:

- (i) The Issue Price is \$0.23, being the closing price of the Company's shares on ASX on 29 April 2015.
- (ii) The Company issues the maximum number of equity securities available under the 10% Placement Facility.
- (iii) No options are exercised into shares before the date of the issue of the equity securities.
- (iv) The 10% dilution reflects the aggregate percentage voting dilution against the issued share capital at the time of issue. This is why the dilution is shown in each example as 10%.
- (v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Annual General Meeting. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- (vi) The table shows only the effect of issues of equity securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vii) The issue of equity securities under the 10% Placement Facility consists only of Shares. If the issue of equity securities includes options, it is assumed that those options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.

### (c) Issue Dates

The Company will only issue and allot the equity securities under the 10% Placement Facility during the 10% Placement Period.

**(d) Purpose of Issues**

The Company may seek to issue equity securities under the 10% Placement Facility for the following purposes:

- (i) as non-cash consideration for the acquisition of new resources, assets and investments (including expenses associated with such acquisitions). In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
- (ii) for cash consideration in which case the Company intends to use the funds raised for exploration activities at its existing projects and/or for acquisition of new assets or investments (including expense associated with such acquisitions) and general working capital.

The Company will comply with the disclosure obligations under the Listing Rules (e.g. Rule 7.1A .4 and 3.10.5A) upon issue of any equity securities under the 10% Placement Facility.

**(e) Allocation policy**

The Company's allocation policy for the issue of equity securities under the 10% Placement Facility is dependent on the prevailing market conditions at the time of any proposed issue. The identity of the allottees of the equity securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the purpose of the issue;
- (ii) alternative methods of raising funds that are available to the Company, including but not limited to, a rights issue or other issue in which existing security holders can participate;
- (iii) the effect of the issue of the equity securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial situation and solvency of the Company; and
- (v) advice from corporate, financial and broking advisers (if applicable).

The allottees of any equity securities that may be issued under the 10% Placement Facility have not been determined as at the date of the Notice but may include existing substantial Shareholders and/or new shareholders who are not related parties or associates of a related party of the Company. Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources, assets or investments.

**(f) Previous Approvals under Listing Rule 7.1A**

The Company previously obtained Shareholder approval under Listing Rule 7.1A at the Company's AGM held 28<sup>th</sup> May 2014. This resolution is to refresh this Placement Facility.

As the Company has previously sought and obtained shareholder approval under ASX Listing Rule 7.1A. at the 2014 AGM, the Company provides the following additional information:

- (i) under Listing Rule 7.3A.6(a):

The total number of equity securities on issue as at 28 May 2014 (being the date 12 months before the date of this meeting).	Ordinary shares: 245,519,138 Options convertible into ordinary shares: 2,100,000 <b>Total equity securities: 247,619,138</b>
Equity securities issued since 28 May 2014	61,379,783 ordinary shares <sup>1</sup>
The total number of equity securities on issue as at the date of this notice	Ordinary shares: 306,898,921 Options convertible into ordinary shares: 1,500,000 <b>Total equity securities: 308,398,921</b>
Percentage of total number of equity securities on issue at commencement of 12 month period represented by subsequent issues	24.79%

- (ii) under Listing Rule 7.3A.6(b):

<b>Subscriber</b>	PIE Holdings, LP
<b>Date of issue</b>	7 November 2014
<b>Number issued</b>	61,379,783
<b>Class of equity security</b>	Fully paid ordinary shares
<b>Summary of terms</b>	Fully paid ordinary shares
<b>Price</b>	\$0.30 per share
<b>Discount to market price (if any)</b>	1.7% discount to the closing price on 5 November 2014 (the business day before the issue was announced)
<b>Consideration provided</b>	\$18,413,935
<b>Current value of non-cash consideration</b>	NA

#### (g) Voting Exclusion Statement

A voting exclusion statement is included in the Notice.

At the date of the Notice, the Company has not approached nor intends to approach any particular existing Shareholder or security holder or an identifiable class of existing security holders to participate in the issue of any equity securities, and the Company has not formed an intention in relation to how it will decide which parties it might approach to participate in any issue of equity securities that might be made under the 10% Placement Facility. Assuming that remains the case at the time of the Annual Meeting (which the Directors currently believe will be the case), no Shareholder's votes will be excluded under the voting exclusion in the Notice.

#### 5.4 Directors' Recommendation

<sup>1</sup> Comprising 36,827,870 shares issued without shareholder approval under Listing Rule 7.1 and 24,551,913 shares issued without shareholder approval under Listing Rule 7.1A.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 5.

#### **RESOLUTION 6: RATIFICATION OF PRIOR ISSUE OF SHARES**

The following information is provided to Shareholders for the purposes of the requirements of Listing Rule 7.5:

- The number of shares that were allotted was 61,379,783 shares. Of these, 36,827,870 shares issued without shareholder approval under Listing Rule 7.1 and 24,551,913 shares issued without shareholder approval under Listing Rule 7.1A;
- The shares were issued at an issue price of \$0.30 per share;
- The shares issued were fully paid ordinary shares ranking equally in all respects with the other shares on issue;
- All of the shares were issued to PIE Holdings LP, a limited partnership associated with Mr Phil Mulacek, in accordance with the subscription agreement announced on the ASX on 6 November 2014;
- The gross funds raised amounted to approximately \$18,413,935; and
- The intended use of funds raised is for exploration activity and general working capital requirements.

#### **Directors' Recommendation**

The Directors unanimously recommend that Shareholders vote in favour of Resolution 6.

Further information on the Company is available at: <http://www.kinapetroleum.com>

**For inquiries please contact:**

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## GLOSSARY

**ASX** means ASX Limited.

**\$** means Australian Dollars.

**Board** means the board of directors of the Company.

**Company** or **Kina** means Kina Petroleum Limited (Company Number: 1-63551, ARBN: 151 201 704).

**Companies Act** means the *Companies Act 1997* (PNG).

**Constitution** means the Company's constitution.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** mean the current directors of the Company.

**Equity Securities** has the same meaning as in the Listing Rules

**Explanatory Memorandum** means the explanatory memorandum accompanying the Notice.

**Annual Meeting** means the meeting convened by the Notice.

**Listing Rule** means a Listing Rule of ASX and of POMSoX.

**Notice** means the Notice of Meeting accompanying this Explanatory Memorandum.

**POMSoX** means the stock exchange of Papua New Guinea.

**Proxy Form** means the proxy form for the Annual Meeting accompanying the Notice.

**Share** means a fully paid ordinary share in the capital of the Company.