



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

31 July, 2015

## **QUARTERLY ACTIVITIES REPORT FOR THE PERIOD: 1<sup>st</sup> April, 2015 to 30<sup>th</sup> June, 2015**

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### **Summary for the Quarter**

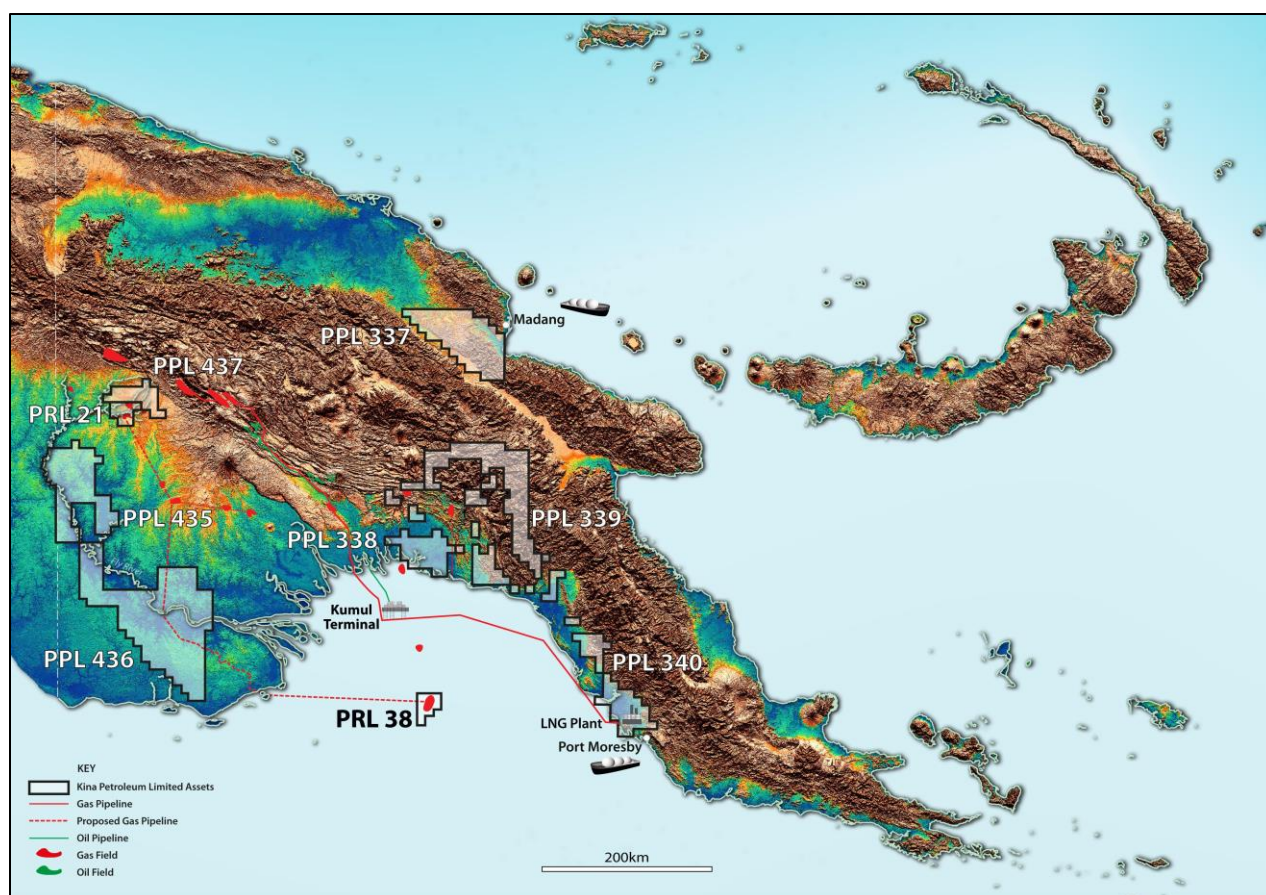
- **PRL 21** – In this period of low oil prices, the project development team continues to focus on cost reduction and value engineering studies to further optimize the field economics ahead of FID;
- **PRL 38** – Kina continues to evaluate further exploration targets close to proven gas at Pandora A and B.
- **PPL 337** – Raintree-1 and Kwila-1 were drilled during the quarter. Numerous gas shows were encountered during drilling of Raintree, although the interpreted carbonate reef target was absent. The direct hydrocarbon indicator on seismic down-dip of the Kwila location remains to be explained.
- **PPL 437** – Prospect analysis of Malisa South is proceeding ahead of economic and risk evaluation;
- **PPL 338** – Major seismic reprocessing program under way; Triceratops, Mangrove & Nipa leads will be reinterpreted on completion of program;
- **PPL 339** – Oil Search has exercised its option to farm into PPL339 and will undertake a drilling program in 2016;
- **PPL 435 & 436** - A major seismic reprocessing program of all available vintage data is underway; Processing has focussed on the Aiambak & Lake Murray East leads in PPL435, and Dalbert & Sturt leads in PPL 436.

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

KPL’s portfolio spans the mainland of PNG from PPL 435 in the west to PPL 340 in the east and PPL337 in the north. 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. 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*

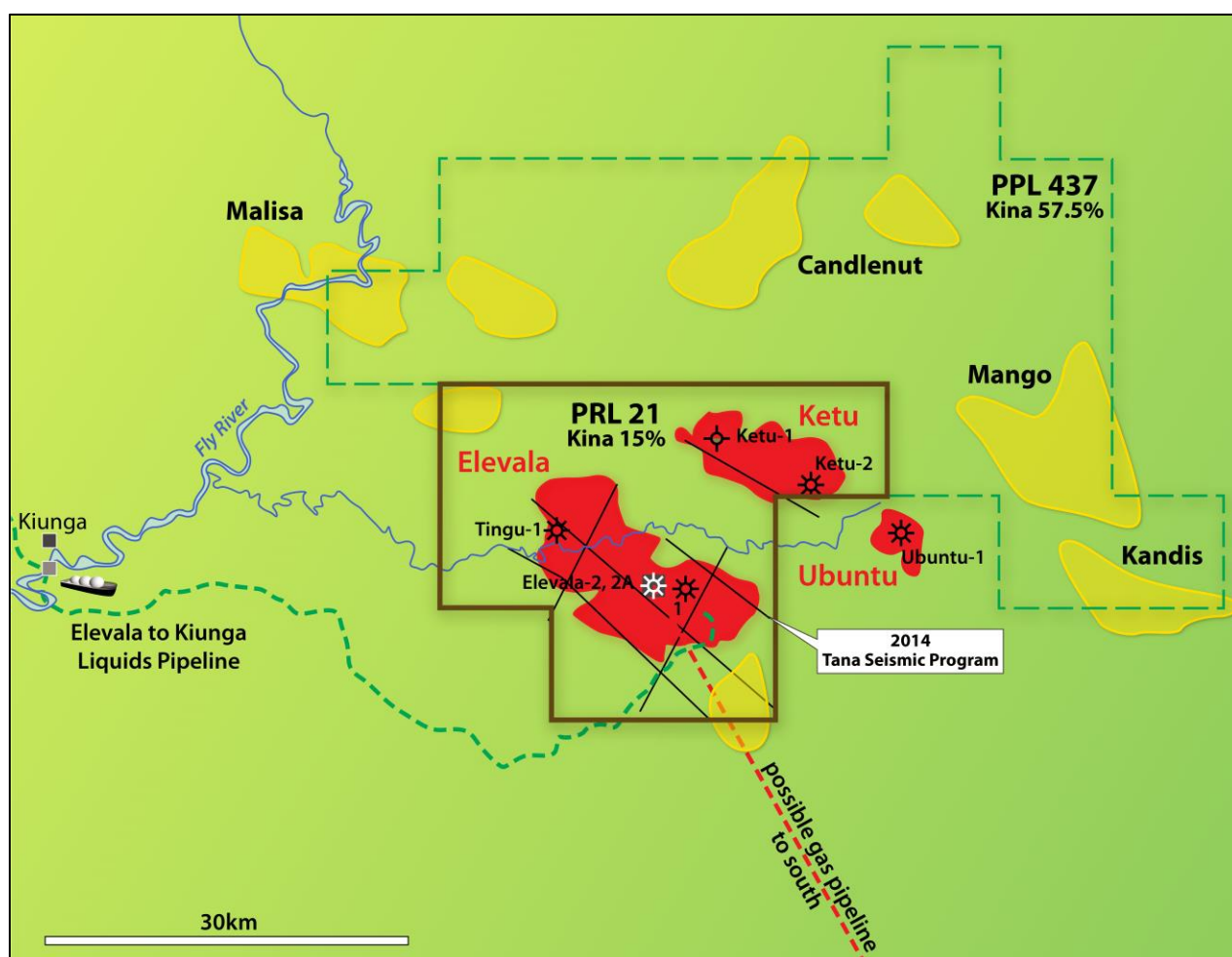


### PRL 21 (Kina interest 15%)

June quarter activity in PRL 21 focussed on value engineering of liquid stripping development options and commercial analysis ahead of a Final Investment Decision (FID). Due to the low oil price environment, the recent focus of the PRL 21 JV has been on capex reduction, refining and optimising the engineering design and improving cost estimate certainty to enhance the project economics. The economics of field development and methods of development were reviewed in the quarter, with the contained 1TCF of gas and associated liquids in PRL 21 remaining a valuable commercial asset.

Technical activity in the quarter included progressing the PRL 21 PDL application technical review process towards its conclusion.

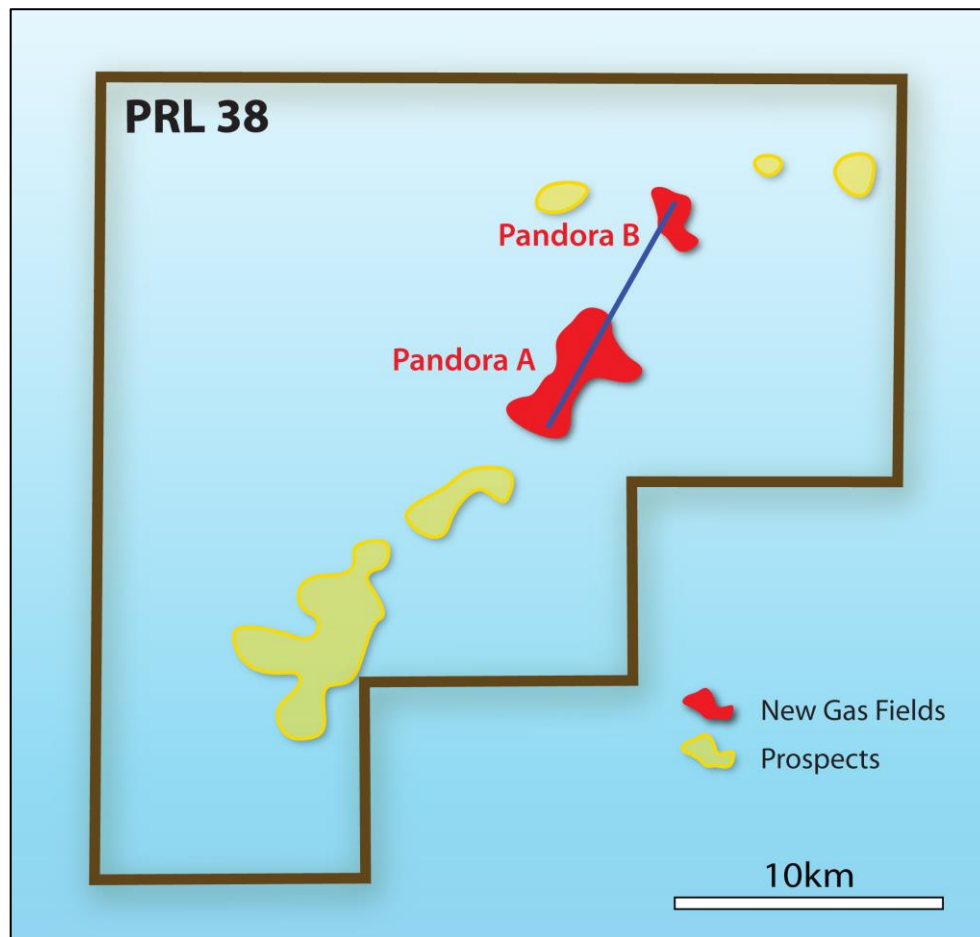
*Map of PRL 21 licence area*



**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 structures between the A and B reefs. Kina believes this significant gas resource has future potential in an aggregated development with Western Province gas developments. KPL is reviewing various development options for this gas.



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

KPL has been carried by HER through an uncapped, two-well drilling program in PPL 337. 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 represented the first drilling activity in the North New Guinea Basin for over 20 years.



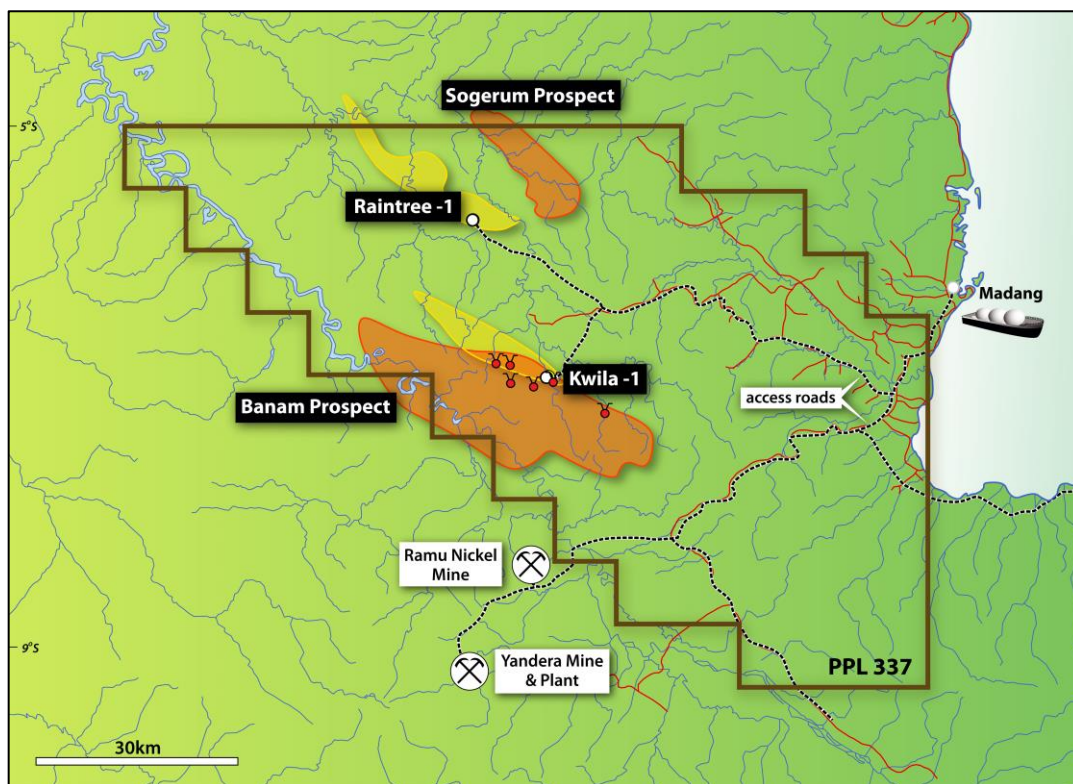
Upon completion of the drilling program HER will be entitled to acquire a further 60% participating interest in, and operatorship of, PPL 337. This will take their total participating interest to 70%. KPL's retained participating equity will be 30%.

As at the end of the quarter the Raintree-1 well had been drilled and logged to a TD of 1150m and had been plugged and abandoned; the Kwila-1 well was underway. Whilst it was disappointing that Raintree-1 did not intersect hydrocarbon in the primary objective Kina was encouraged by the presence of significant gas shows in a number of shallow good quality porous sands.

Results of the post-well analysis and interpretation will be reported in due course. The significant gas shows in Raintree 1 and prolific gas seeps on the northern flank of the Banam Anticline give KPL confidence that gas generation is taking place within the basin and there is a need to take information learnt from these wells to advance the play concepts and high grade the remaining prospects in the licence.

Subsequent to the end of the quarter, Kwila-1 was drilled and logged to a TD of 1000m and plugged and abandoned. As at the date of this report the rig was demobilised to Madang and both sites were being remediated. Kwila-1 was a valid test of the pre-drill objectives. Unfortunately gas was not present in the prognosed reservoir at Kwila 1.

*Map of PPL 337 Licence Area*



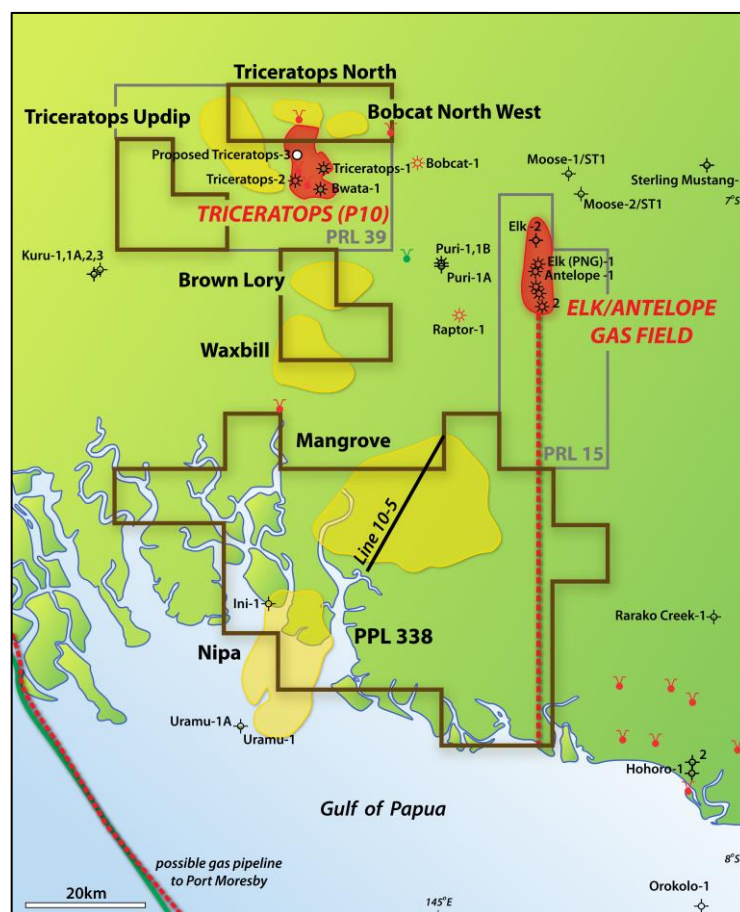
### PPL 338 (KPL 100%)

PPL 338 is located in the eastern Papuan Basin, to the west and south of the Elk-Antelope gas field in PRL 15. During the quarter KPL continued a large seismic reprocessing program of approximately 510 line km. The pleasing initial results from reprocessing encouraged KPL to increase the reprocessing program to 788 line km. Data from numerous programs and vintages is now being re-processed to high-grade proposed drilling locations. Several of the proposed targets are less than 1500m depth. KPL has commenced planning a multi-well program using a small fit for purpose rig.

Kina interprets a significant prospect at Greater Triceratops in northern PPL 338: up-dip and along trend from the Triceratops-1 discovery and Bobcat-1. Triceratops-3, spudded by InterOil in the reporting period, is only three kilometres from the PPL 338 boundary and could extend the known Triceratops structure into PPL 338.

Further south in PPL 338, KPL recognises two very large prospects: Mangrove, which now includes a previously separate closure called Crocodile, and Nipa which is a large closure between Mangrove to the north and the Uramu gas field to the south. A full re-appraisal of Mangrove and Nipa will be undertaken following completion of the seismic reprocessing.

Map of PPL 338 Licence Area

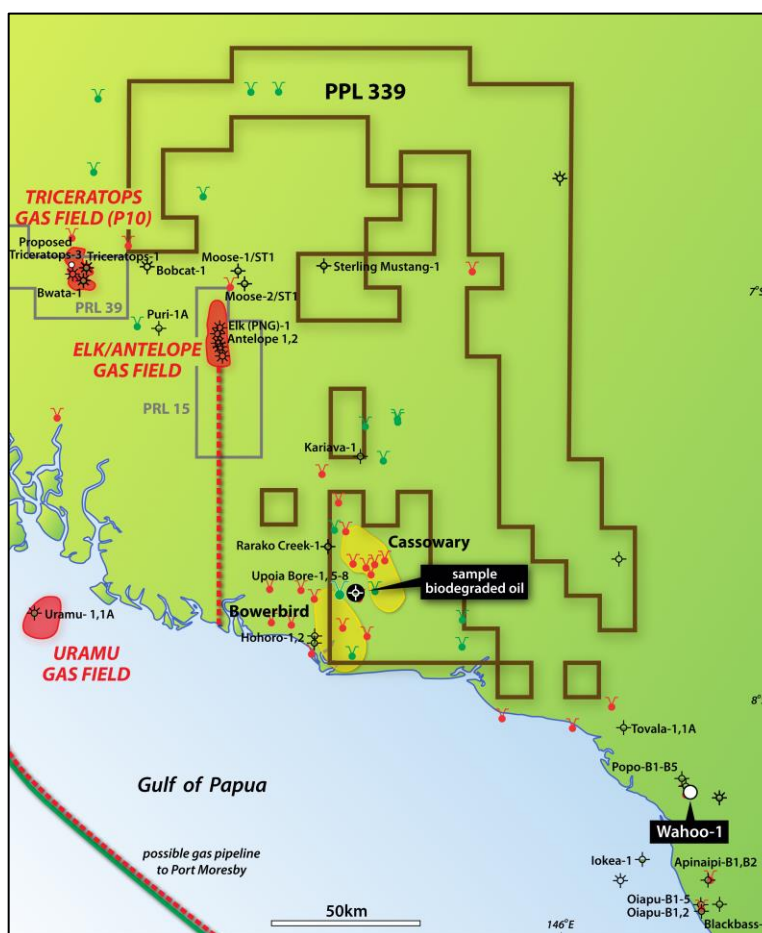


### PPL 339 (Kina 100%, subject to farmout arrangements with Oil Search)

PPL 339 is located in the eastern Papuan Basin, south and east of Elk-Antelope.

During the quarter, Oil Search exercised its option to participate in PPL 339 and subject to government approval will acquire a 70% participating interest in and operatorship of the licence. KPL's retained participating equity will be 30%. In consideration for the acquisition of this participating interest, Oil Search will undertake a drilling program within the licence, partially funding KPL through the program.

During the quarter, KPL commenced reprocessing approximately 80 line km of vintage seismic within PPL 339. This data is being reprocessed in conjunction with PPL 338 to high-grade proposed drilling locations. As the proposed targets within PPL 339 are relatively shallow (less than 1500m depth) discussions relating to a multi-well program utilising a rig similar to that recently working in PPL 337 have commenced.



### 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

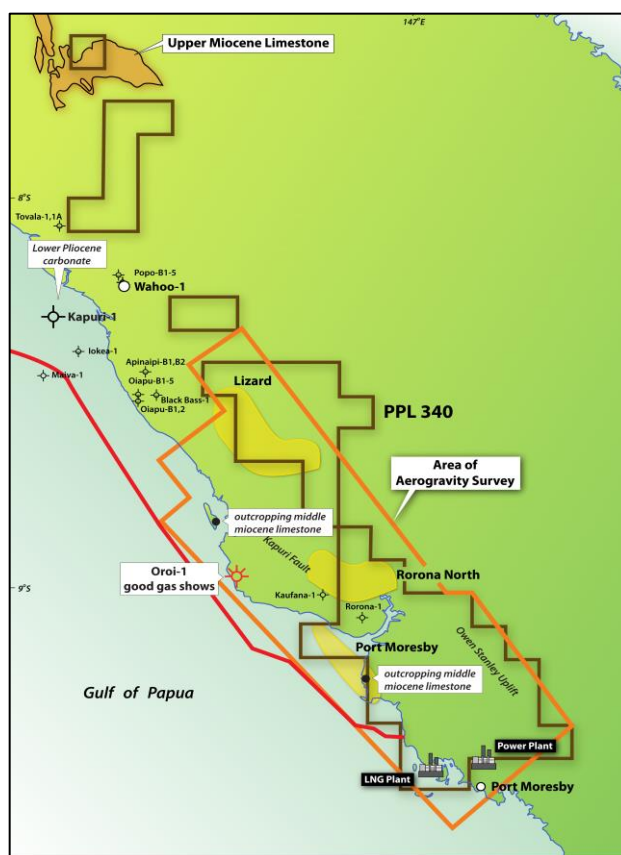
aeromagnetic survey over PPL 340 has high-graded three structural leads within PPL 340: Port Moresby, Rorona North and Lizard. KPL has commenced planning a multi-well program for PPLs 338, 339 and 340 utilising a rig similar to that recently working in PPL 337. KPL has also progressed farm-in discussions.

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.

Fluid inclusion analysis of the Barune sandstone outcrops confirm that oil migration has occurred and this high grades the Barune Sand in the Port Moresby Prospect as an oil target. KPL will commence a reprocessing program of available open file seismic data in the second half of 2015.





**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.

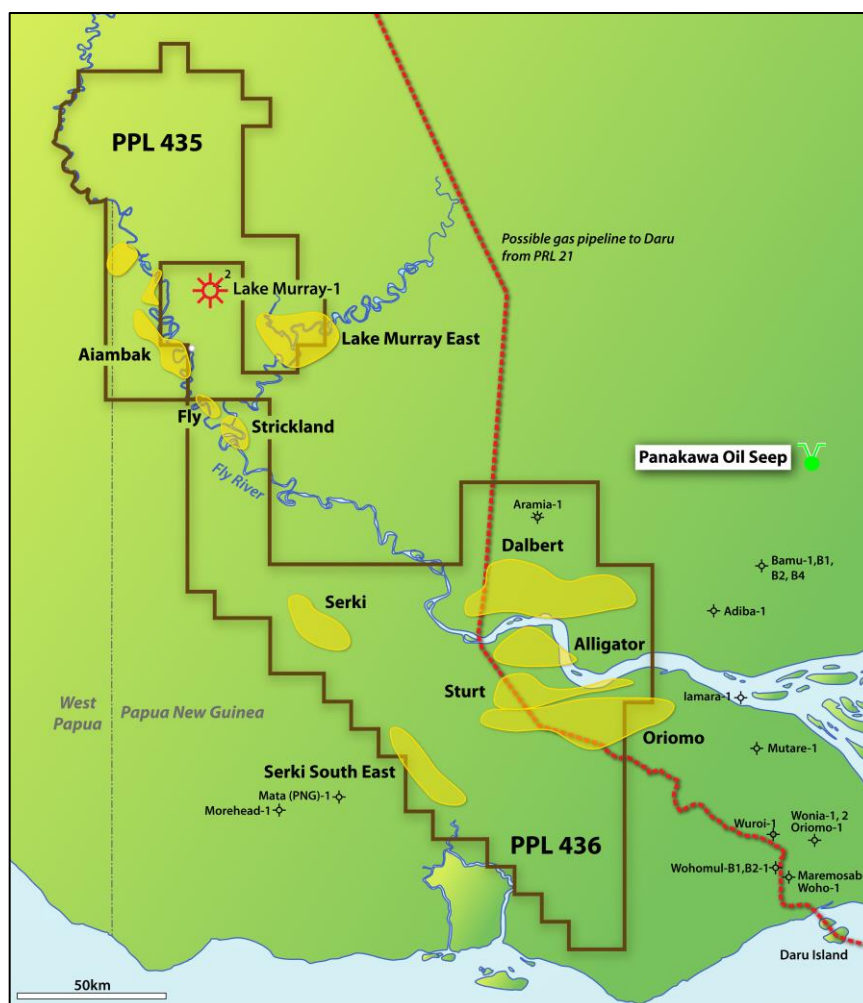
Coincident with the Aiambak anomaly appears to be inversion along the Fly River fault which uplifts late Jurassic and early Cretaceous reservoir rocks south of wet gas flows in Lake Murray-1. Seismic reprocessing will be undertaken on the Lake Murray East feature comprising a simple drape over a basement 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 the 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 structures surrounding the prospect fairway which was defined by KPL's 2014 aerogravity program.

The Panakawa oil seep and the reported presence of oil in the 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 Areas



### PPL 437 (KPL 57.5%, HER 42.5%)

In late 2014 Cott Oil and Gas (PNG) Limited opted to surrender its 20% holding in PPL 437. Kina and Heritage then applied for ministerial approval for transfer of Cott's holding on a pro rata basis; this was granted with KPL receiving 7.5% and Heritage receiving 12.5%

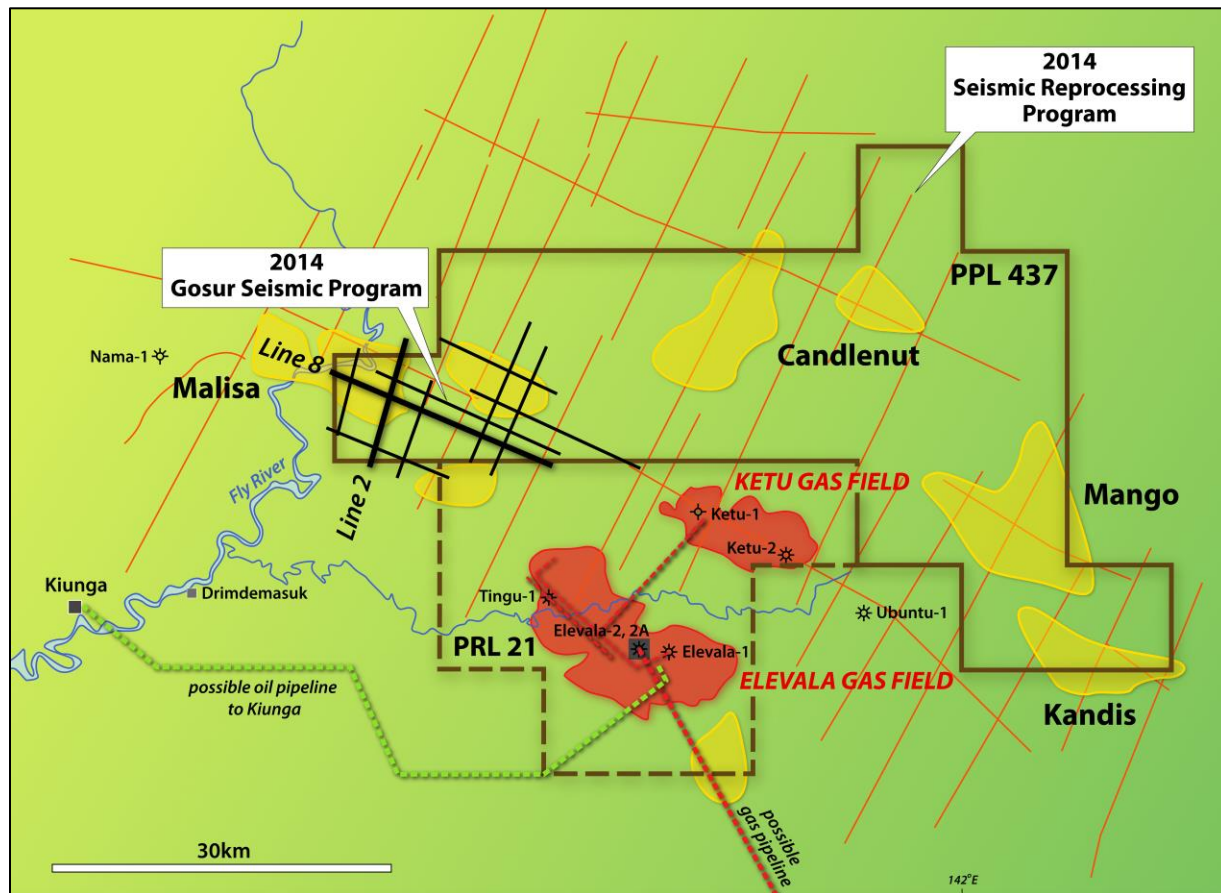
In accordance with the terms of the PPL 437 Farmin Agreement, Heritage, on completion of 100km of seismic acquisition in late 2014 (Gosur Seismic Survey) also earned the right to acquire 30% from Kina's original 80% holding. Ministerial approval of this transfer was received in the second quarter of 2015 taking Heritage's participating interest to 42.5% with KPL's reducing to 57.5%.

Interpretation of Gosur seismic is largely complete and Malisa South 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 infrastructure and because of the good quality Elevala and Toro Sandstones intersected in Tingu-1 in 2013.

Heritage has completed pre-drilling and engineering studies for the Malisa Structure, including a scouting expedition to site the proposed location. Heritage and Kina will continue to reprocess open file seismic data in the NE corner of PPL 437 to evaluate prospectivity elsewhere in the licence.

Map of PPL 437 Licence Area



Appendix 5B

## Mining exploration entity quarterly report

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

Name of entity

KINA PETROLEUM LIMITED

ARBN

151 201 704

Quarter ended ("current quarter")

30 June 2015

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	(1,026)	(2,348)
	(b) development	(390)	(1,099)
	(c) production	-	-
	(d) administration	(262)	(672)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	15	31
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (J/V Operator Fee income)	23	40
	<b>Net Operating Cash Flows</b>	<b>(1,640)</b>	<b>(4,048)</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)	(1,640)	(4,048)
	<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>	(1,640)	(4,048)
1.20	Cash at beginning of quarter/year to date	12,847	15,418
1.21	Exchange rate adjustments to item 1.20	58	(105)
1.22	<b>Cash at end of quarter</b>	11,265	11,265

**Note:** Payments for exploration activity relate principally to residual costs PRL 21 seismic.

### 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	25
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	400
4.2 Development	750

4.3	Production	-
4.4	Administration	300
<b>Total</b>		<b>1,450</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	11,265	12,847
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>11,265</b>	<b>12,847</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	PPL 437	Approval was received for transfer of a 30% participating interest to Heritage.	87.5%	57.5%
	PPL 339	Oil Search exercised its right to acquire a 70% participating interest in the licence. * The acquisition is subject to government approval.	100%	30%*
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: .....31/7/15.....

(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.