



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

29 January, 2016

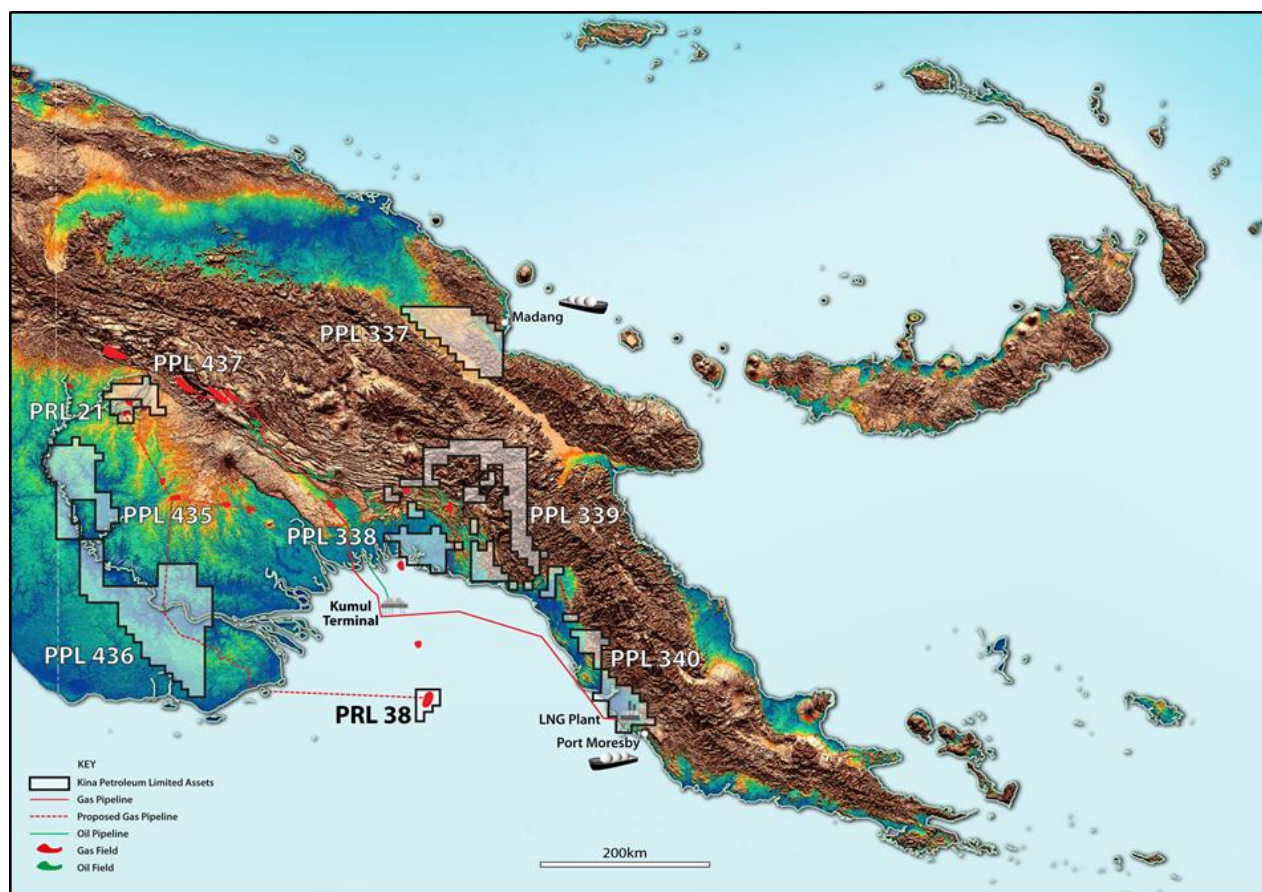
QUARTERLY ACTIVITIES REPORT FOR THE PERIOD: 1st October 2015 to 31st December, 2015

Summary for the Quarter

- **PRL 21** – A significant milestone was achieved during the quarter with the environmental permit for the proposed Elevala/Ketu development issued. Work remains focussed on gas development and commercialisation given the prevailing oil price environment does not support a stand-alone liquids stripping development.
- **PRL 38** – it was announced at the end of the quarter that Twinza Oil Limited is to purchase Cott Oil and Gas Limited's interest in PRL 38. Twinza's proposed development of the Pasca discovery to the north of PRL 38 will broaden and enhance options for future development of the Pandora gas fields in PRL 38.
- **PPL 338** – Reprocessed seismic data have high graded 5 targets in the licence: Triceratops North, Triceratops West, Nipa, Mangrove and Crocodile The prospects are large and economics of further work is currently under assessment prior to farmout.
- **PPL 435 & 436** - seismic reprocessing has upgraded Aiambak, Lake Murray East, Dalbert & Sturt leads and upgraded Serki. Once mapping is completed, commercial analysis will be undertaken in advance of farm out of future work.
- **PPL 437** – Malisa is drill ready and will certainly justify a well once oil price improves and a commitment is made on FID for an Elevala/Ketu development. A number of other attractive features have been identified from the PPL 437 seismic analysis the most attractive being the Ebony prospect which lies west south west of the Juha gas field and south east of the P'nyang field along the path of a potential export pipeline from P'nyang.

- **PPL 337** – Post-drill interpretation of the Raintree and Kwila wells demonstrate that the petroleum system is not conducive to entrapment of a large commercial resource in the licence and Kina is considering its options with respect to retention of the licence.
- **PPL 339** – Economics of Kalangar prospect are under review in light of prevailing oil price.
- **PPL 340** – Analysis of the prevailing petroleum system in the licence area has indicated the requirement for commercial review of the Lizard and Port Moresby leads before committing to any further work.

Map of KPL's licence areas



Kina Petroleum Limited (ASX: "KPL") has participating interests in Petroleum Retention Licences ("PRLs") 21 and 38 and in seven exploration licences (PPLs) across PNG.

Commercial analysis of KPL's exploration portfolio from PPL 435 in the west to PPL 340 in the east and north to PPL337 is being undertaken given the expectation of low oil prices throughout 2016. KPL is in an excellent position to complete this review prior to committing to future exploration expenditure and the Company is using its experience in country to evaluate its portfolio and identify possible non-core assets.

KPL has no exposure to major capital demands in the short term and will look to farm out its commitments where necessary. KPL believes that the oil and gas prices will remain low in 2016 and will focus its efforts on assets that clearly demonstrate value to shareholders.

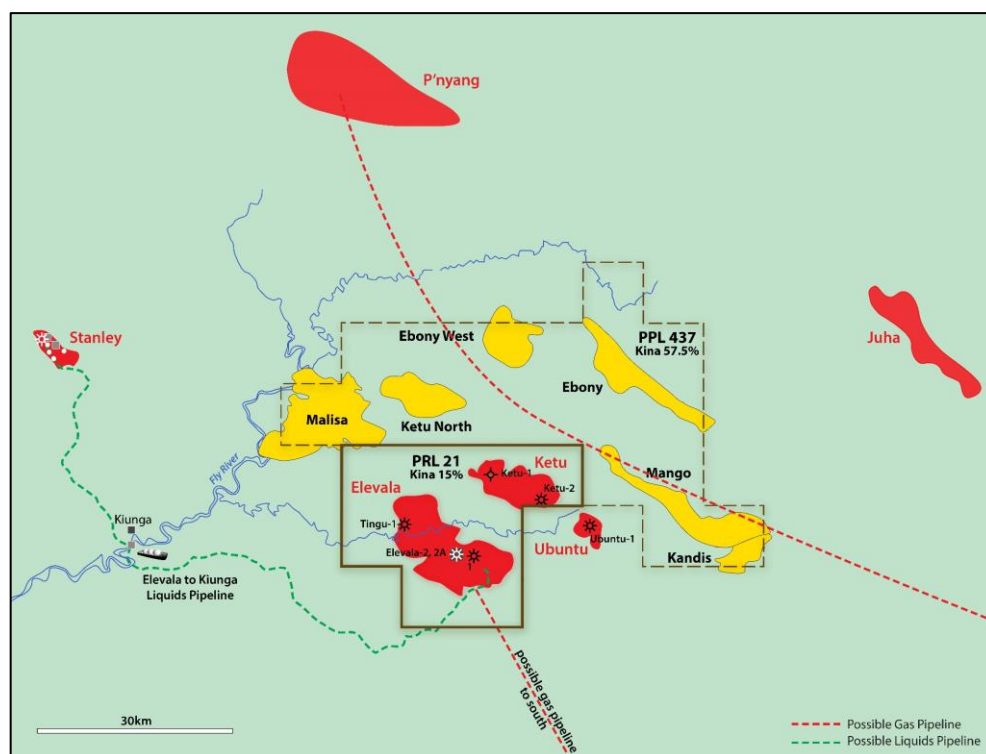
With the completion of the initial licence term for PPLs 337, 338, 339 & 340, the company has submitted to the PNG Department of Petroleum and Energy customary extension applications for these licences.

PRL 21 (KPL interest 15%)

Activity in PRL 21 continues to focus on further development-related cost savings, development options and commercial analysis ahead of any Final Investment Decision.

A significant milestone was achieved at the end of the quarter with PNG authorities issuing the environmental permit for the proposed Elevala/Ketu development. Work remains focussed on gas development and commercialisation given that the prevailing oil price environment does not support a stand-alone liquids stripping project.

Map of PRL 21 and PPL 437 licence areas, showing proximity to P'nyang and Juha fields



PRL 38 (KPL Interest: 25%)

PRL 38 is located offshore Gulf of Papua and incorporates the Pandora A and B gas discoveries.

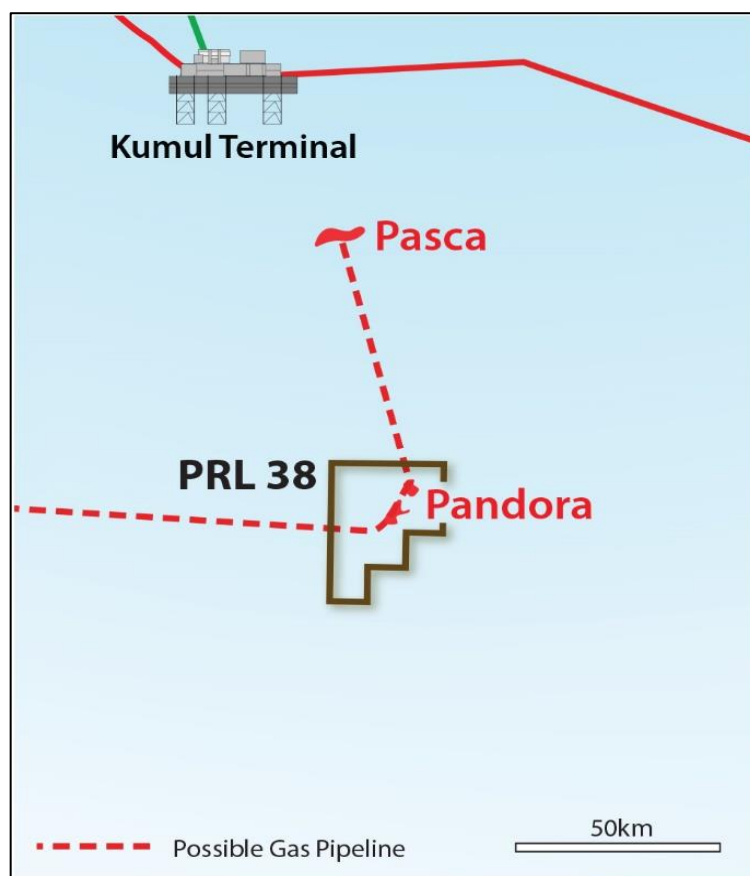
KPL has a 25% participating interest in the Joint Venture, alongside other partners Repsol (25%), Santos (10%), and Cott Oil and Gas (40%).

Kina believes the Pandora fields are a significant gas resource with future potential in an aggregated development with other discovered gas fields, and continues to review a variety of potential development options for this gas.

In December 2015 Cott Oil and Gas Ltd announced that Twinza Oil, an upstream oil and gas company with previous experience in PNG, was to purchase its interest in PRL 38. Twinza is focused on commercialising discovered but as yet undeveloped assets, and is broadening its presence in Papua New Guinea co-incident with its proposed development of the Pasca gas/condensate field to the north of PRL 38.

Kina views Twinza's entry into PRL 38 favourably given its intent to develop the Pasca field through innovative approaches to offshore drilling and development and provide another potential path to commercialisation of PRL 38 gas.

Map of PRL 38 licence area, showing proximity to Pasca field

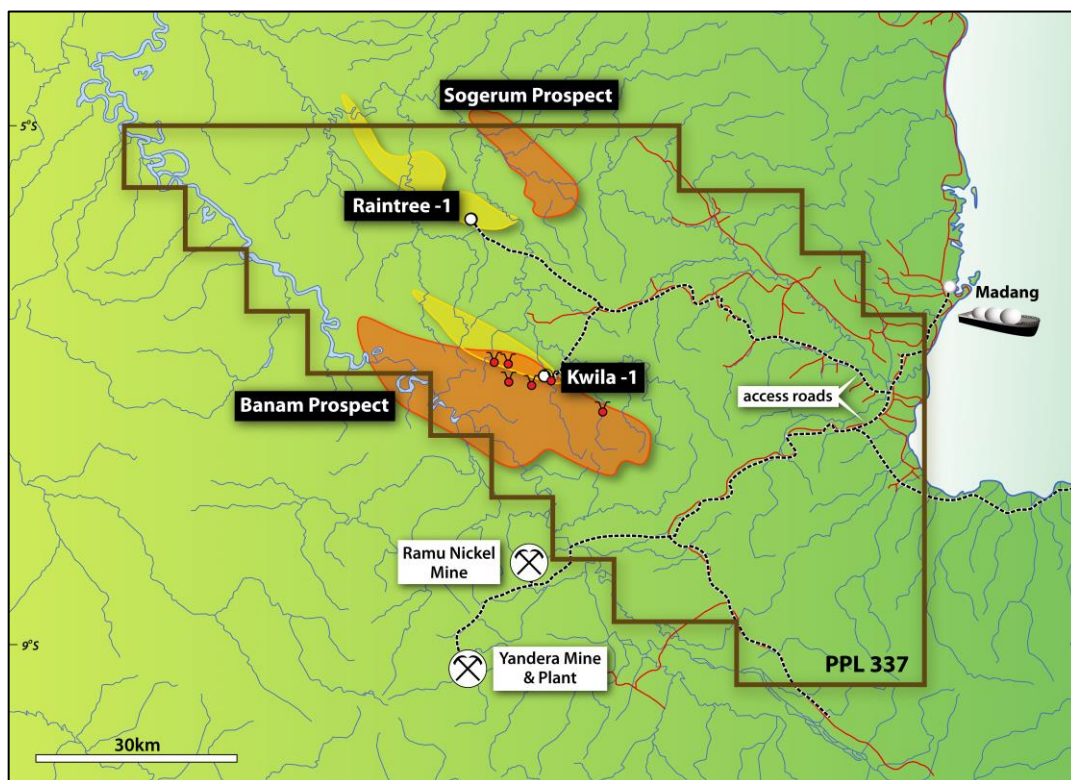


PPL 337 (KPL Interest: 90%)

Following completion of the Raintree and Kwila wells, Kina has completed a review of remaining prospectivity. The Banam Prospect is considered high risk in view of the poor reservoir quality and the lack of evidence for an active conventional petroleum system in PPL 337 (based on data from the Raintree 1 and Kwila 1 wells). The wells confirmed an unconventional biogenic gas system operating in PPL 337 but the high level of risk associated with such a system does not justify committing further capital to Banam Prospect. KPL had always recognised the risks associated with the plays in PPL 337 which underpinned its decision to fully farm out the drilling of the wells.

Kina does not believe further exploration work on this licence can be justified in the prevailing oil price environment.

Map of PPL 337 licence area



PPL 338 (KPL Interest: 100%)

PPL 338 is located in the eastern Papuan Basin, to the west and south of the Elk-Antelope gas field in PRL 15.

Activity by the PRL 15 Joint Venture in respect of the Elk/Antelope fields is currently focussed on definition of the minimum connected volume within the field and final confirmation of reserves with long term flow testing of Antelope-5 underway and results of Antelope-6 imminent. The commitment to develop Antelope will have an even greater positive impact on the value of PPL 338 than the discovery of the field in 2009. The drilling of 5 successful wells at Antelope has confirmed an excellent quality reservoir and a gas column approaching 600+m.

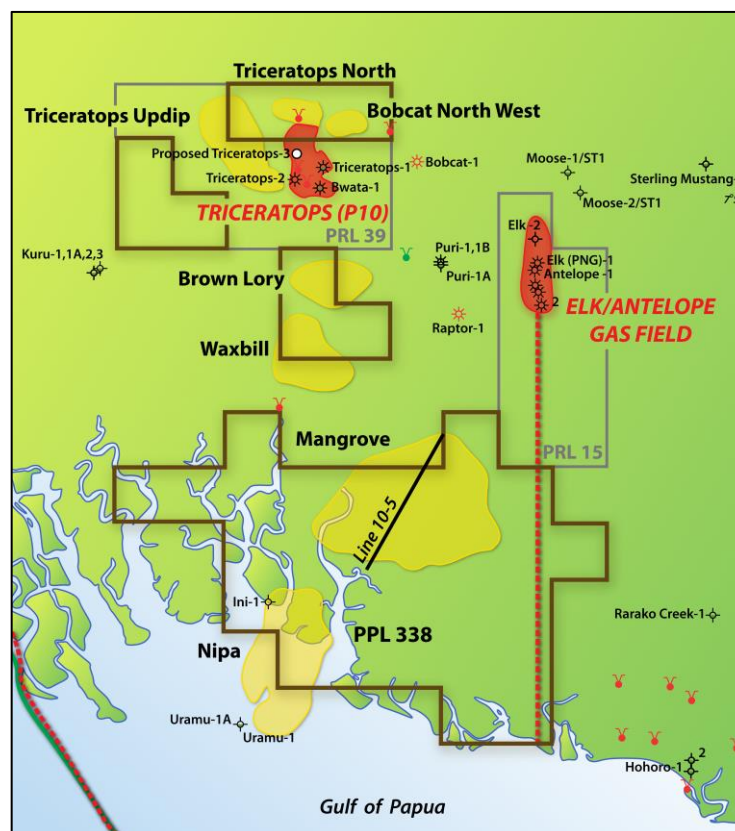
In PPL 338, KPL has reprocessed all the seismic data in and adjacent to the licence with a view to identifying analogues to Antelope within the licence. Seismic reprocessing of vintage data has vastly improved the resolution and integrity of our seismic data set and the final critical lines between Uramu 1 and Mangrove Prospect were received at the end of the quarter. The reprocessed seismic data is being tied to the modern seismic data acquired at Oil Search's cost in 2011. KPL has matured 3 prospects north of Uramu 1 being Nipa, Mangrove and Crocodile.

In the north of PPL 338 Kina interprets 2 significant prospects north and west of the Triceratops field. The reprocessed seismic data shows better structural integrity and improved inter-line continuity between the various surveys. We now have greater confidence in the structural picture to the north and west of Triceratops and are currently assessing potential volumes that may extend into PPL 338.

Given Total's and Oil Search's recent entry into PRL 15 for participating interests of (approximately) 61% and 23% respectively at a costs of around US\$ 1.5bn – US\$ 3.6bn and US\$ 900m respectively, Kina remains confident that the prospects and leads it recognises within PPL 338 will prove highly attractive as analogues to Antelope and will continue to attract interest from the industry. Kina believes that airborne gravity gradiometry and additional seismic acquisition is required to confirm viable drilling locations. Such work would take place as part of a farmout program.

A map of the PPL 338 licence area is shown on the next page.

Map of PPL 338 licence area



PPL 339 (KPL Interest: 30%)

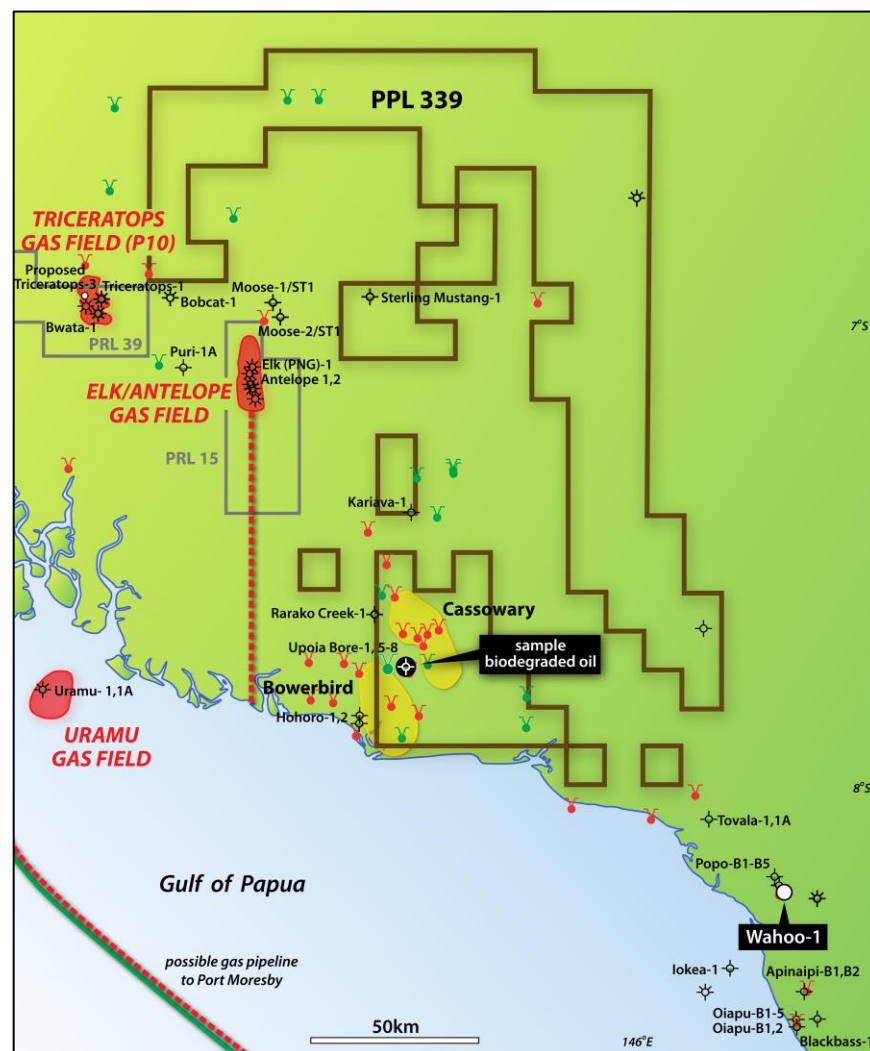
PPL 339 is located in the eastern Papuan Basin, south and east of Elk-Antelope.

During the previous quarter, Oil Search's acquisition of a 70% participating interest from KPL was approved by the government of PNG. Prior to the end of the quarter, Oil Search advised that it had completed the farmout of 50% of its interest to Total. Oil Search therefore retains a 35% participating interest in PPL 339 and remains operator of the block.

During the quarter, KPL and Oil Search have reprocessed seismic lines within PPL 339 which has highlighted an attractive structure at Kalangar. The depth of the potential carbonate reservoir target at Kalangar is subject to further technical discussions in order to define the most appropriate location to test the prospect. These discussions may impact timing of the well.

A map of the PPL 339 licence area appears on the next page.

Map of PPL 339 licence area

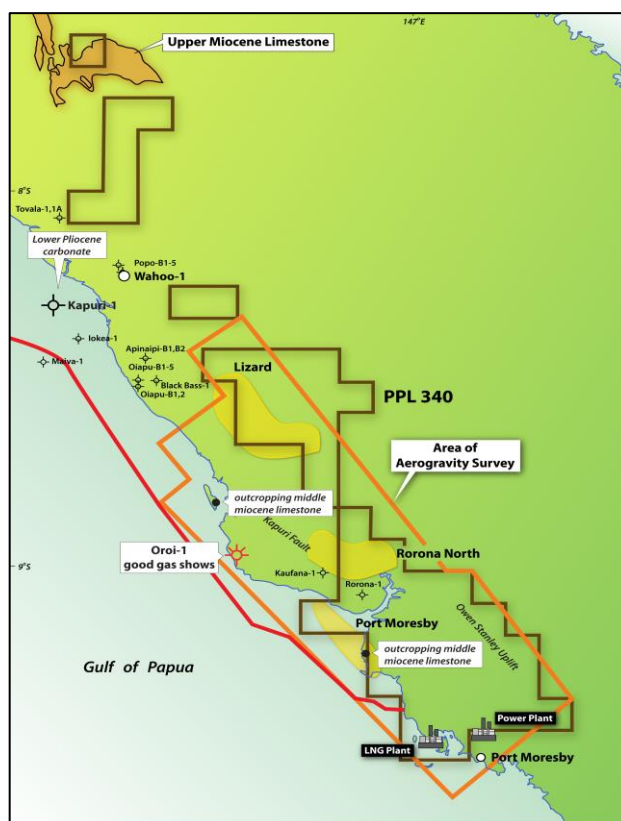


PPL 340 (KPL Interest: 100%)

PPL 340 is in the eastern Papuan Basin, located north from Port Moresby in several blocks.

Interpretation of a 2014 aerogravity and aeromagnetic survey over PPL 340 high-graded two structural leads within PPL 340: Port Moresby and Lizard. The company is assessing the commercial viability of these prospects in light of the current oil price environment, our knowledge of the prevailing petroleum system and the structural risks associated with the prospects themselves. Kina will only undertake additional work in PPL 340 if its assessment confirms a commercially viable target which can be farmed out.

Map of PPL 340 licence area



PPL 435 and 436 (KPL Interest: 100% in both licences)

PPL 435 and 436 are two large areas located in the Western Province, structurally within the Papuan Foreland and both astride the Fly River between the Fly River delta and Lake Murray.

Reprocessing of legacy seismic data is currently underway with interpretation to begin once re-processing is complete.

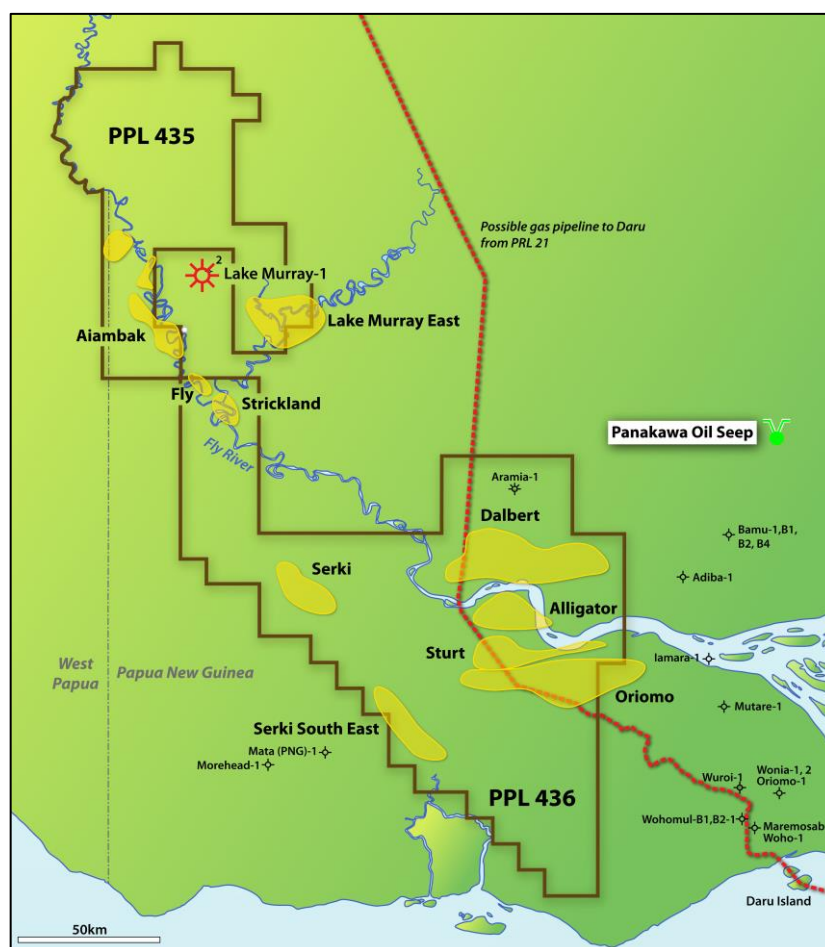
Based on a preliminary review of reprocessed data, the Aiambak and Lake Murray East prospects (PPL 435) and Dalbert, Alligator, Sturt and Oriomo prospects (PPL 436) look encouraging and Serki has been

high-graded. Initial analysis of the reprocessed seismic shows multiple potential reservoir targets are present over most prospects with development of potential source facies believed to be present down dip of the identified prospects and leads. The Serki and Lake Murray East leads may be structurally linked opening up a new fairway between Aiambak and the Dalbert/Oriomo cluster.

Aerogravity data acquired by Kina has been linked with neighbouring data sets and regionally. The Dalbert/Oriomo cluster of prospects lies on a very large gravity high that covers an area in excess of 4000 square kilometres up dip of basement intersected in the Mata 1, Adiba 1, Aramia 1, and Awapa 1 wells. The gravity high forms the ultimate drainage point for fluids from all cardinal directions and is up dip of the Panakawa oil seep and geochemical analysis of the oil seep lends support for prospects in PPL 436 to be more oil prone rather than gas prone. The location of the Fly River close to all of the prospects provides ease of access for future exploration work not only keeping operational costs lower than other areas of PNG but will also improve development costs in the event of a discovery.

Interpretation of the seismic data will commence in the forth-coming quarter so as to confirming the size and location of any future seismic surveys in PPL 435 and 436. This work will be subject to farm out.

Map of PPL 435 & 436 licence areas



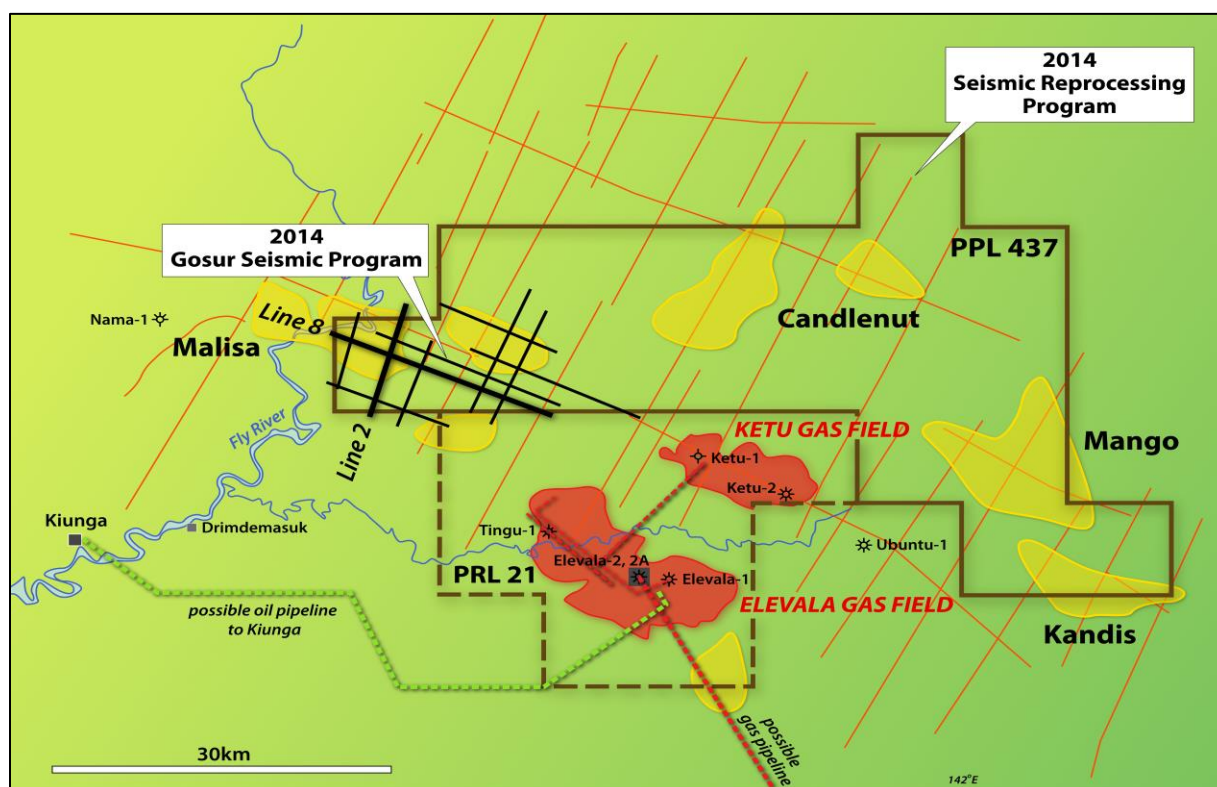
PPL 437 (KPL Interest: 57.5%)

PPL 437 is located in the Western Province of PNG, structurally within the Papuan Foreland and immediately north of PRL 21 (Ketu-Elevala).

Interpretation and depth conversion of the Gosur and reprocessed seismic data is complete with Malisa remaining an attractive target along trend from Elevala Field. Malisa is drill ready and will certainly justify a well once the oil price improves and a commitment is made on FID for a development of the Elevala/Ketu fields.

In the meantime a number of other attractive features have been identified from the PPL 437 seismic analysis. Ketu North is smaller than Malisa and lies on a north westerly trend along from the confirmed Ubuntu and Ketu discoveries. To the east Ebony has been mapped west south west of the Juha gas field and south east of P'nyang. Development of P'nyang will see construction of an export pipeline very close to Ebony and this prospect has been elevated for consideration of additional seismic acquisition in advance of a well. Any seismic carried out in PPL 437 will not occur until 2017 and will be subject to farmout by Kina and Heritage.

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")

31 December 2015

COMPANY NO.

1-63551

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter USD \$'000	Year to date (12 months) USD \$'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	382	(2,421)
	(b) development	(192)	(1,291)
	(c) production	-	-
	(d) administration	(361)	(1,283)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	43
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (J/V Operator Fee income)	-	40
	Net Operating Cash Flows	(167)	(4,912)
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	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	-	-
1.13	Total operating and investing cash flows (brought forward)	(167)	(4,912)
	Cash flows related to financing activities		
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)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(167)	(4,912)
1.20	Cash at beginning of quarter/year to date	10,441	15,418
1.21	Exchange rate adjustments to item 1.20	69	(163)
1.22	Cash at end of quarter	10,343	10,343

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

4.1 Exploration and evaluation

USD \$'000

750

4.2 Development

300

4.3	Production	-
4.4	Administration	300
Total		1,350

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	10,343	10,441
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		10,343	10,441

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 339	Participating interest	100%	30%
6.2	Interests in mining tenements acquired or increased	PPLs 435 & 436	Participating interest	50%	100%

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	-	- -	-	-
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)	Nil	Nil		
7.8	Issued during quarter	Nil	Nil		

7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	1,500,000	<i>Exercise price</i> \$0.50		<i>Expiry date</i> 20 December 2015
7.11	Performance Shares <i>(totals only)</i>	Nil	Nil		
7.12	Unsecured notes <i>(totals only)</i>				

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:29/1/16.....

(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.