

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



29 April, 2016

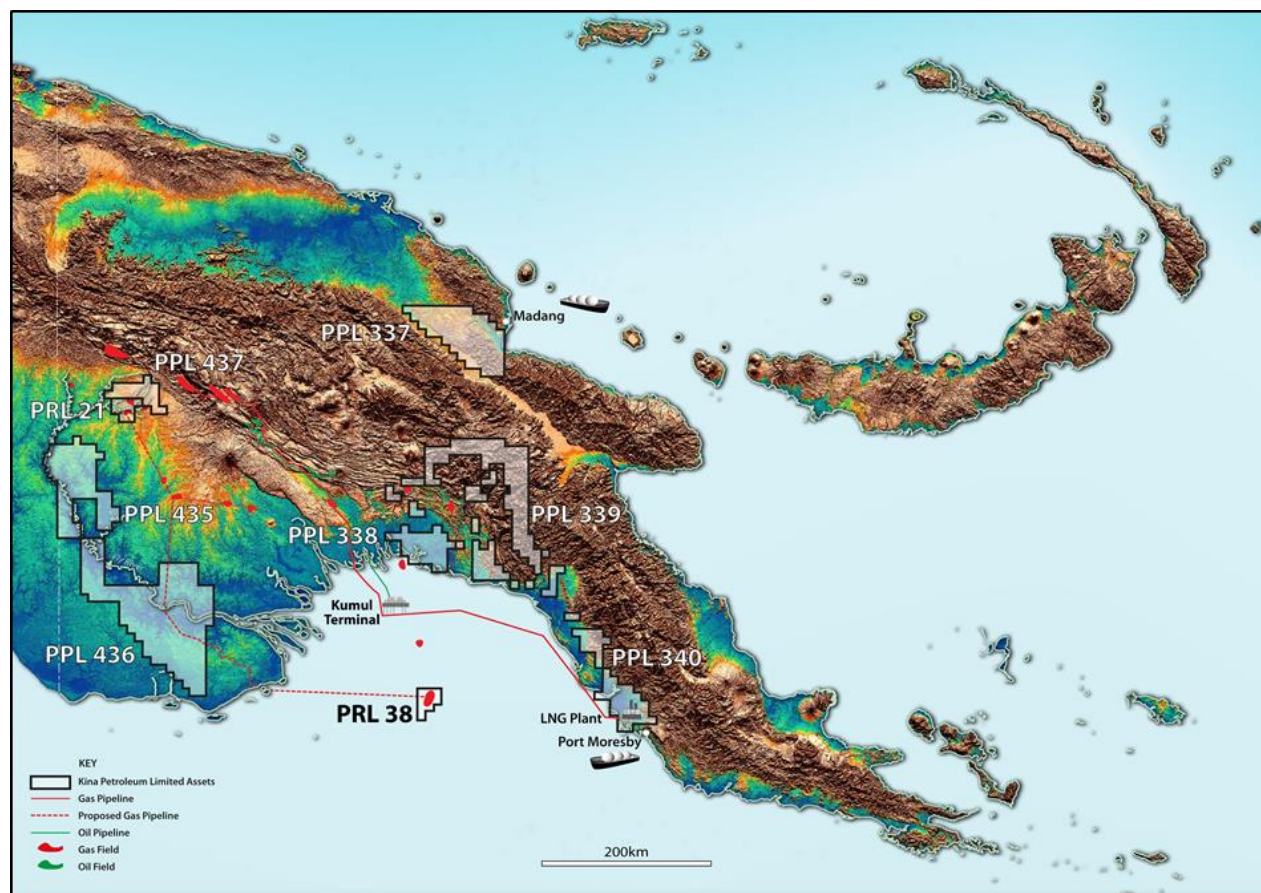
## **QUARTERLY ACTIVITIES REPORT FOR THE PERIOD: 1<sup>st</sup> January 2016 to 31<sup>st</sup> March 2016**

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### **Summary for the Quarter**

- **PRL 21** – The environmental permit for the proposed Elevala/Ketu development was issued in the previous quarter. Operator focus is now on optimising development and commercialisation options.
- **PRL 38** – Twinza Oil Limited, who purchased Cott's interest in the licence, was formally introduced to the joint venture during quarter. Their clear development focus will broaden and enhance options for future development of both the Pandora and Pasca gas fields.
- **PPL 338** – Kina's top-file application (APPL 581) overlying the existing PPL 338 was gazetted and is being reviewed by the Department of Petroleum and Energy. Reprocessed seismic data have high-graded five prospective targets within the licence with further work to occur upon sustained improvement in oil price.
- **PPL 435 & 436** - seismic reprocessing has upgraded five leads. Once mapping of reprocessed data is complete, commercial analysis will be undertaken.
- **PPL 437** – Malisa prospect is drill-ready and should be drilled once an FID commitment is made for Elevala/Ketu. Larger potential features are identified from the PPL 437 seismic interpretation located in the eastern half of PPL 437.
- **PPL 337** – Post-drill interpretation of the Raintree and Kwila wells determined no entrapment of large commercial gas accumulations within the licence. Kina surrendered the licence in March 2016 to preserve its exploration capital and focus on its core tenements.
- **PPL 339** – The economic/risk profile of the Kalangar prospect is under review in view of the prevailing oil price. Kina and JV partners Oil Search and Total see potential to supplement reserves at Elk/Antelope but in Kina's view it remains a high risk exploration target at this time.
- **PPL 340** – Lizard and Port Moresby leads require commercial review before committing to any further work.

### Map of KPL's licence areas



Kina Petroleum Limited (ASX: "KPL") has, at the end of this period, participating interests in Petroleum Retention Licences ("PRLs") 21 and 38 and in six exploration licences (PPLs) across PNG.

KPL has no exposure to major capital demands in the short term and will look to farm out its exploration 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.

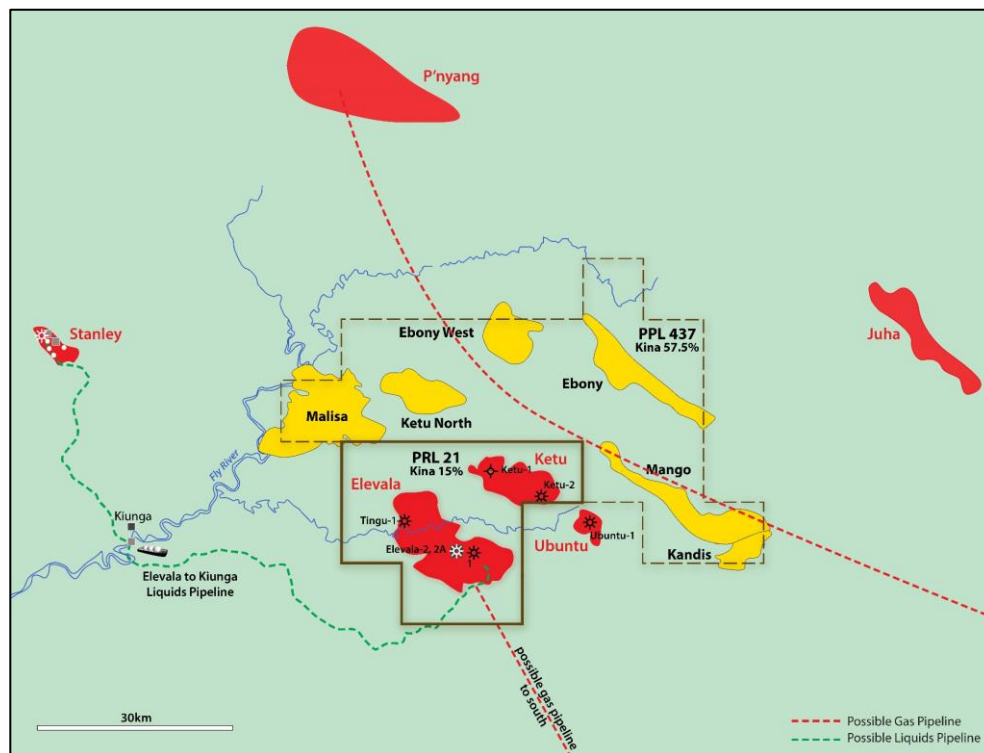
Commercial analysis of KPL's exploration inventory is part of an active portfolio management process. Preservation of Kina's capital is consistent with the company's strategy of limiting expenditure on frontier exploration and focusing on development of discovered hydrocarbons and exploiting highly prospective exploration areas through farmout and prudent risk management.

#### **PRL 21 (KPL interest 15%)**

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

Work throughout the quarter remained focussed on gas development and commercialisation options.

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



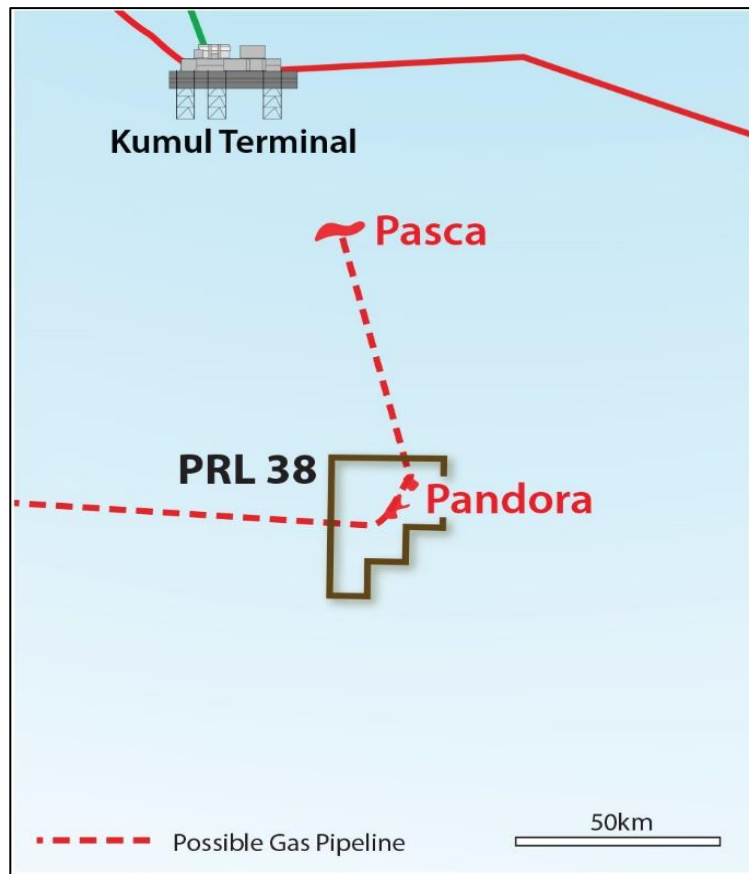
**PRL 38 (KPL Interest: 25%)**

Twinza Oil Limited has purchased Cott Oil and Gas' 40% interest in PRL 38. Twinza's proposed development of the nearby Pasca field should broaden and enhance options for future development of the Pandora gas field. 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.

The PRL38 JV met in March 2016 to consider drilling and budgetary matters in light of the ongoing depressed oil price environment. A workshop is planned to address subsurface, drilling and commercial issues. Kina is in the process of acquiring the 3D seismic data set over Pandora with a view to reassessing the resource range for the Pandora discovery.

...../map of PRL 38 licence area

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



**PPL 337 (KPL Interest at end of quarter: 0%)**

Following the 2015 completion of the Raintree and Kwila wells, Kina has completed a review of remaining exploration prospectivity. The review concluded that at prevailing oil prices there is insufficient remaining low risk prospectivity in the licence and as a consequence gave notice of surrender of PPL 337 on 23 March 2016 rather than incur further expenditure in what would otherwise be a non-core asset .

**PPL 338 (KPL Interest: 100%)**

Kina's "top file" application over the licence was gazetted as APPL 581 during the quarter. The top file process was undertaken because delays in receiving seismic field data had made it impossible to review and assess the prospect and lead inventory within the previous licence term. The top file application will give KPL the ability to complete this work in the early stages of the new licence term and thereafter progress to field based activity, confident that the propsects have been satisfactorily de-risked.

KPL has completed the reprocessing of all the seismic data in and adjacent to PPL 338 with a view to identifying analogues to Antelope/Uramu within the licence. Seismic reprocessing of vintage data has

vastly improved the resolution and integrity of our seismic data set. A number of the prospects will require gravity gradiometry and infill seismic acquisition before drilling could be recommended.

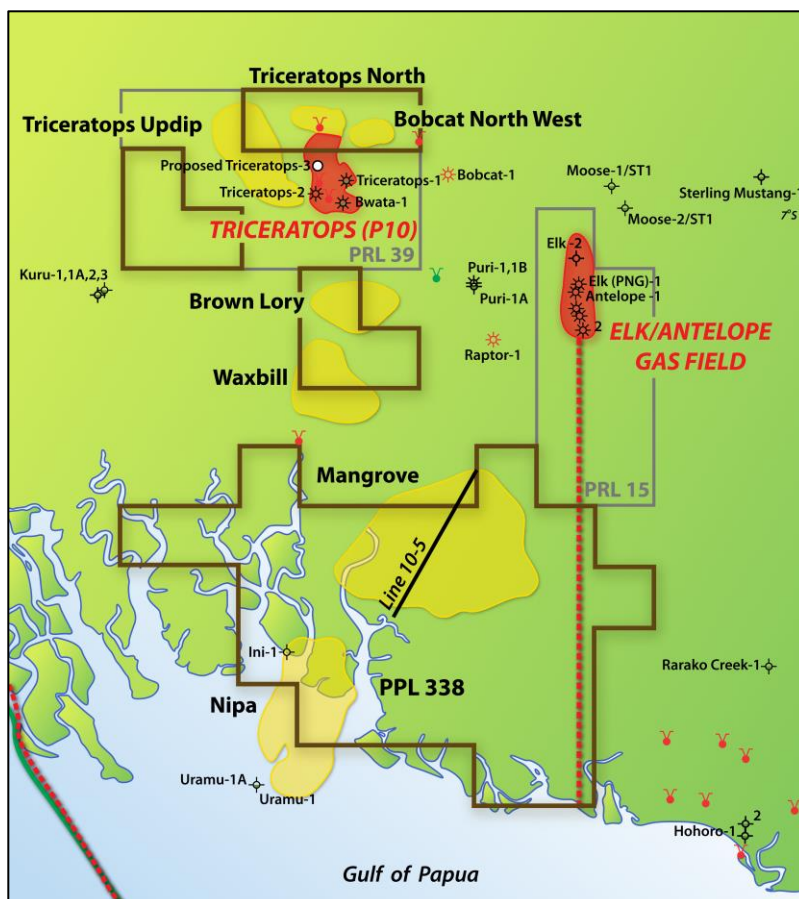
The Nipa, Mangrove, Crocodile, Waxbill and Triceratops West Prospects are located close to the Late Cretaceous margin of the Australian Plate. Crocodile lies on an easterly promontory of the shelf where reef building appears to have occurred. From Triceratops west, fault related shearing appears to have affected the margin pushing the reef zone around to Antelope.

The seismic reprocessing and the ability to analyse the interval velocities used to stack the seismic data has enhanced our ability to reliably pick the top limestone event on the seismic data. The footwall carbonate at Puri flowed oil and Waxbill is in an ideal charge location up dip from the zone that recovered oil in Puri 1. Unfortunately seismic data quality over Waxbill is poor and we have not had success in locating original field tapes but further efforts are warranted because the data improvements to date have been significant.

Triceratops West and Triceratops North lie on the footwall of the main thrust fault separating the fold belt from the foreland. Fault seal is a risk and further seismic acquisition is required over Triceratops West. Triceratops West looks to be on a build-up which is encouraging for reef development. Further refinement of the interpretation is required before volumes and risk analysis is completed.

As at the end of the reporting period, KPL awaits ministerial determination in respect of the PPL338 extension/APPL 581 application.

#### **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.

The JV partners have independently reprocessed seismic lines within PPL 339 which has highlighted a structure at Kalangar. The depth of a potential reservoir at Kalangar has been subject to technical discussions in order to define the most appropriate location and depth to test the prospect. Kina views the Kalangar prospect as a high risk exploration target with economic potential yet to be demonstrated because of the shallow depth to objective defined by the seismic reprocessing that Kina has completed over the prospect.

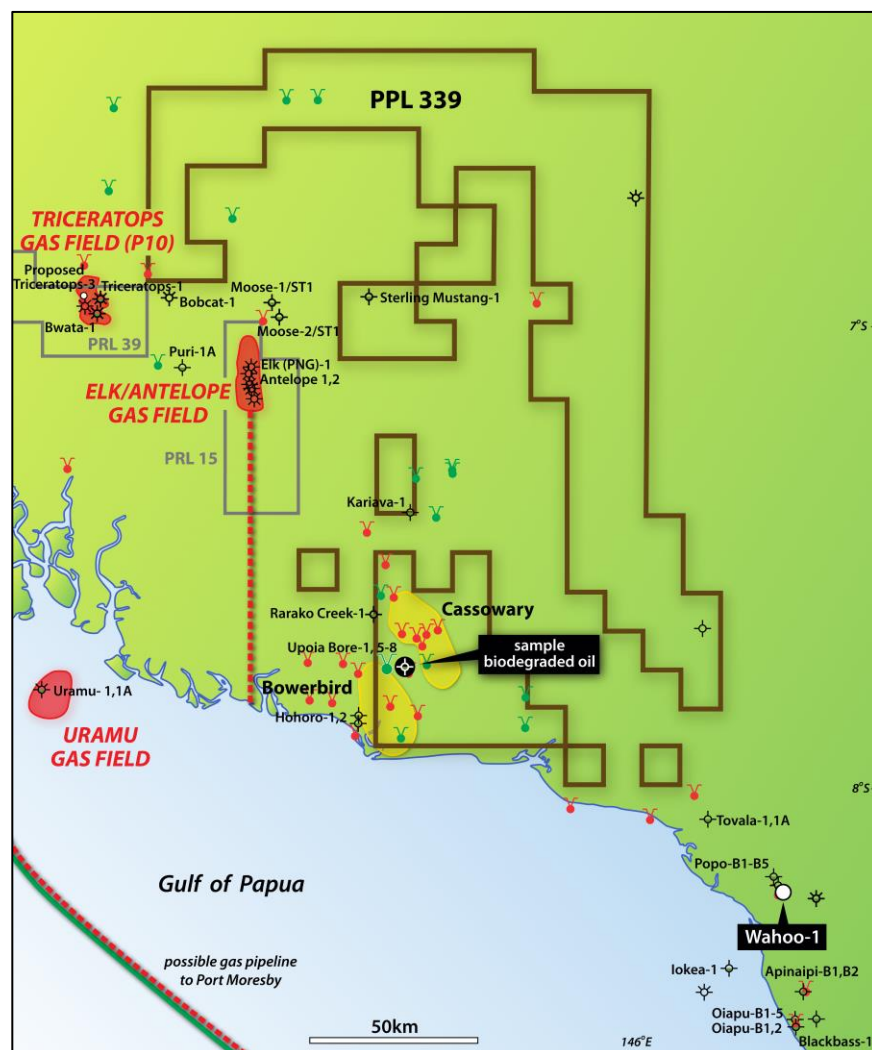
Cassowary is an along trend but deeper extension of Kalangar and may have independent closure. Bowerbird could be tested by a re-entry of Upoia 1. Oil and gas seeps and oil leaking into the Upoia 1 bore make this a most attractive target. Kina awaits reprocessing of the Vailala seismic lines before working on potential volumes.

As at the end of the reporting period, the Joint Venture was still waiting on a determination by the Petroleum Advisory Board and the Minister regarding the PPL339 extension application. Given the risk profile of the prospect, the further technical work which Kina believes is required to make the prospect drill-ready and in view of the licence extension not yet having been granted, Kina is working with the operator to determine the optimum way to progress licence activity. Consistent with stated strategy, Kina will only commit resources to projects which have the potential for material value generation.

..../map of PPL 339 Licence area



**Map of PPL 339 licence area**

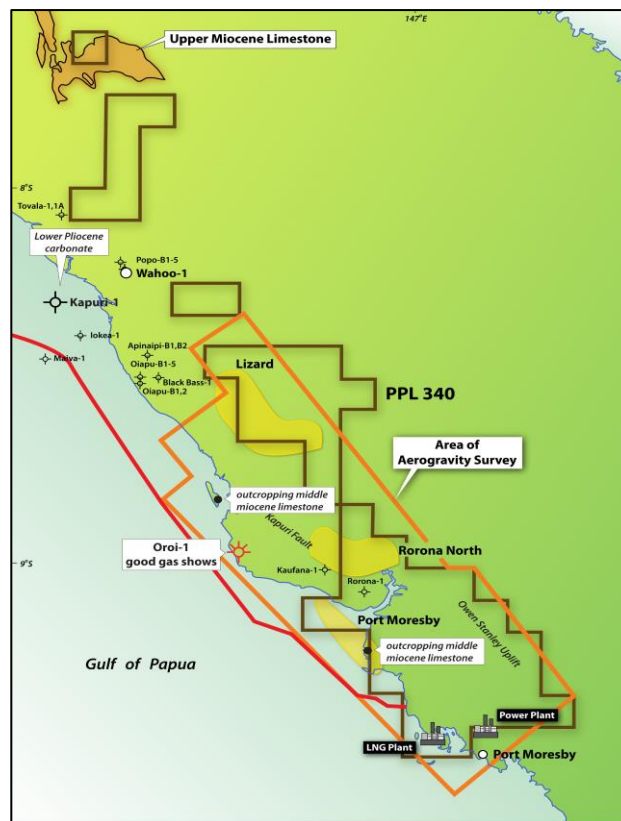


### **PPL 340 (KPL Interest: 100%)**

PPL 340 is in the eastern Papuan Basin, located north from Port Moresby in several blocks. The company is assessing the commercial viability of the Port Moresby and Lizard prospects in light of the current oil price environment. Kina will only undertake additional work in PPL 340 if its assessment confirms a commercially viable target which can be farmed out.

As at the end of the reporting period, Kina was still waiting on a determination by PAB and the minister of the PPL340 extension application.

#### **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.

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

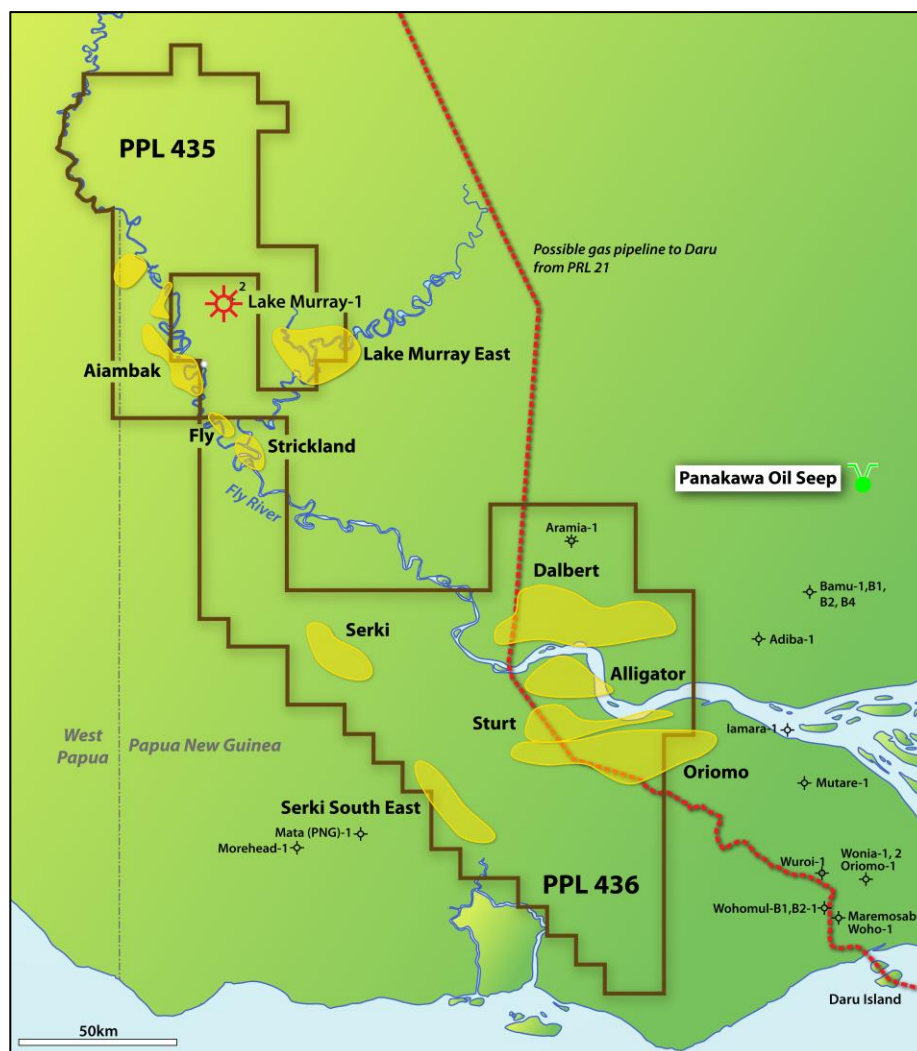
Reprocessing of the seismic data is well advanced and demonstrates vast improvement over the legacy data. The significant improvement in data quality has allowed a confident interpretation of the reservoir geology from the Elevala-Ketu fields into Lake Murray 1. All three wells flowed wet gas but the reservoir interval at Lake Murray was very much condensed and of poorer quality than at Elevala/Ketu.



The seismic transect shown below from Ketu to Lake Murray significantly upgrades the reservoir and migration story for PRL 435 and Lake Murray East Prospect in particular. The line is particularly instructive because it shows that the Lake Murray area has been high and a focus for migration out of the Cecilia Trough from the late Cretaceous until present day. Subsidence has been episodic with the greatest loading during the Plio-Pleistocene during the recent mountain building activity to the north.

The Aiambak fault is part of the Fly River wrench system. It defines the southern limit of the Fly Platform and may represent a barrier to onward migration of hydrocarbons to the south. The composite seismic line clearly demonstrates a significant reservoir package up to the Aiambak Fault and bodes well for prospects developed between Aiambak and Elevala.

### **Map of PPL 435 & 436 licence areas**



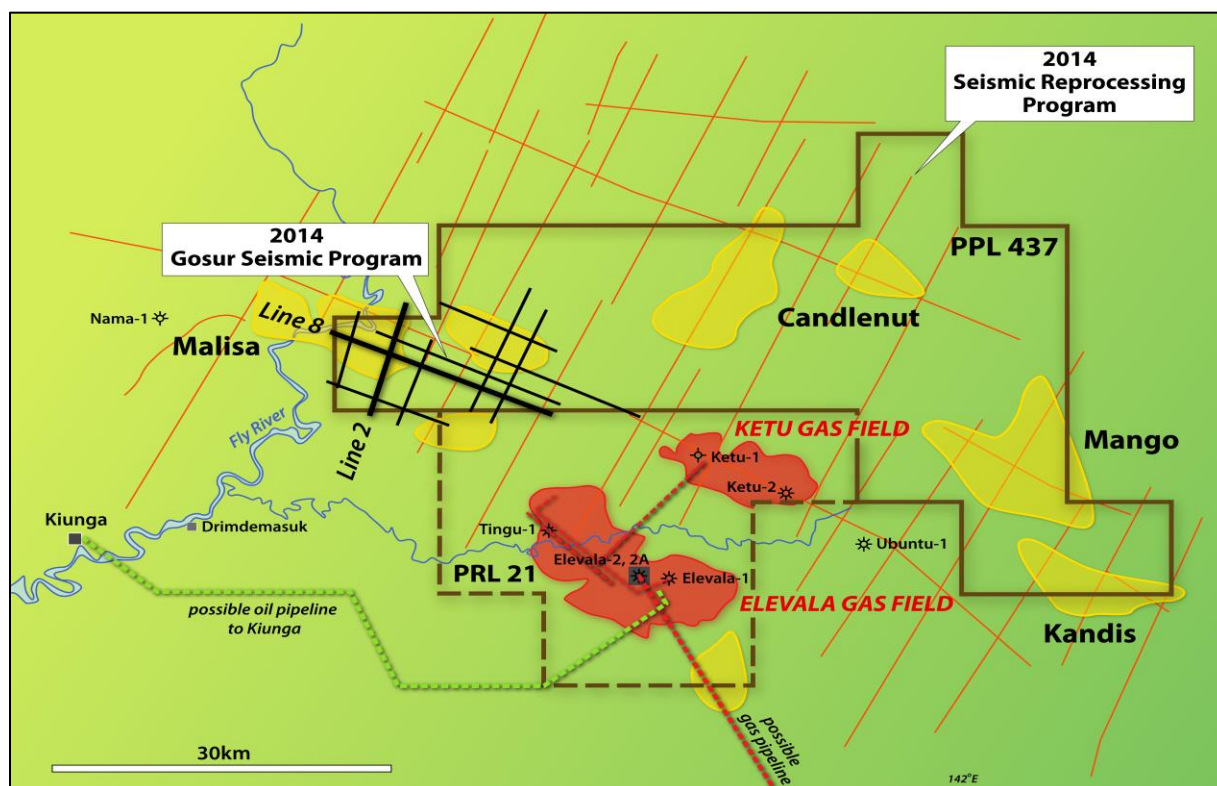
### **PPL 437 (KPL Interest: 57.5%)**

PPL 437 is located in the Western Province of PNG, immediately north of PRL 21 (Ketu-Elevala). Interpretation and depth conversion of the combined Gosur and reprocessed seismic data set is complete with Malisa remaining a drill ready target along trend from Elevala. Drilling at Malisa will be justified once the oil price improves and a commitment is made to develop the Elevala/Ketu fields.

In the meantime a number of other attractive features have been identified from the PPL 437 seismic analysis. To the east Ebony and Mango are potentially large features 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 these prospects which have been elevated for consideration of additional seismic acquisition in advance of a well. However seismic acquisition will not occur until 2017 and will be subject to farmout by Kina and Heritage.

Technical and Operating committee meetings will be held in June quarter to present technical studies that are focussed on the evaluation of prospects for follow up seismic.

#### **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 March 2016

COMPANY NO.

1-63551

**Consolidated statement of cash flows**

		Current quarter USD \$'000	Year to date (3 months) USD \$'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(382)	(382)
	(b) development	(184)	(184)
	(c) production	-	-
	(d) administration	(359)	(359)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	2	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (J/V Operator Fee income)	-	-
		(923)	(923)
<b>Net Operating Cash Flows</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	-	-
	<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)	(923)	(923)
	<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>	(923)	(923)
1.20	Cash at beginning of quarter/year to date	10,343	10,343
1.21	Exchange rate adjustments to item 1.20	(8)	(8)
1.22	<b>Cash at end of quarter</b>	9,412	9,412

### 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	15
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
600
440

4.2 Development

4.3	Production	-
4.4	Administration	300
<b>Total</b>		<b>1,340</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	9,412	10,343
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>9,412</b>	<b>10,343</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	Participating interest	100%
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)	Nil	Nil		
7.8	Issued during quarter	Nil	Nil		

7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter				
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: .....29/4/16.....

(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.