



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

31 January 2014

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD 1ST October 2013 to 31st December 2013

Kina Petroleum Limited (ASX: "KPL") has working interests in the PRL 21 and PRL 38 retention licences and 7 exploration licences in PNG.

This quarterly report is the company's 8th since becoming a listed entity, with the second anniversary (19 December 2013) of the company's initial public offering and public listing on the Australian and Port Moresby Stock Exchanges also occurring during the quarter.

Highlights

- **PRL 21 – continuation of FEED to progress to PDL application in Q1 2014.**
- **PRL 21 – successful production testing of Tingu and Ketu wells**
- **PRL 38 - award of 25% of licence.**
- **PPL 338 & 339 – elevation of value through entry of Total into adjacent PRL 15 licence.**
- **PPL 338 seismic data processed and received – farmin decision expected in Q1 14.**
- **PPL 337 - 3 possible locations identified for drilling Banam, Kwila and Raintree.**
- **PPL 437 - high grading of Malisa South lead, on trend from Tingu for 2014 seismic program.**
- **Aerogravity survey completed in PPLs 340.**
- **Aerogravity survey commences PPLs 435 and 436.**

The December quarter saw a period of significant growth in oil and gas resources for the company with evaluation of the results of the Tingu-1 well in PRL 21, and award of 25% of the PRL 38 licence containing the Pandora gas fields. This activity represents the culmination of the company's strategy to build our resource base in PNG which has grown from net P50 prospective resources (in the Elevala field) of 10 mmbœ at time of float to the current 2C contingent resource in PRL 21 of 26 mmbœ¹ (KPL net).

1. Based on the Kina Petroleum Limited ASX release of 16 October 2012 and Horizon Oil Limited ASX release of 12 October 2012.

We expect to add to this 2C contingent resource base of 26 mmboe in the short term through:

- an additional net 13 -14 mmboe² from Tingu upon confirmation of its resource size; and
- an (indicative) additional net 33³ mmboe from PRL 38, upon the Joint Venture being able to complete a full technical evaluation of the Pandora gas fields.

The company's initial resource focus was PRL 21 liquids where 3 successful wells in the first 3 years of the licence has seen the company's net 2C contingent resource of liquids grow to 6 million barrels², with the expectation of being able to add in the region of a further 3 million barrels² to this base upon confirmation of the size of the Tingu resource.

The Elevala and Ketu wells in PRL 21 also established a 2C contingent resource of gas of 119 bcf² net to Kina, to which we expect to be able to add in the region of a further 60 bcf² of gas upon confirmation of the size of the Tingu field.

The addition of PRL38 to the company's portfolio of assets introduces an asset estimated to contain a gross 2C contingent gas resource of 792 bcf³. The size of the resource will be confirmed upon a complete technical evaluation by the PRL 38 joint venture, but Kina's indicative share of around 200 bcf would more than double the company's 2C contingent gas resource to a net figure in the order of 380 bcf (63 mmboe) which represents effectively 10% of the total required for a future midstream LNG project through potential aggregation projects. The location of PRL 38 is ideal and would permit its inclusion in either a Western Province based project contributing to the material gas resources that now exist there, or a future Gulf Province based project contributing to resources from projects such as the Triceratops field & surrounding areas and future discoveries in PPLs 338 and 339.

Knowledge of our exploration assets continues to advance. New seismic and gradiometry data acquired through our farm outs in PPLs 338 and 339 has been received and at the end of the quarter were being assessed by KPL and Oilsearch. The value of these assets has been further enhanced by the Total entry into neighbouring PRL 15 which contains the Antelope Field.

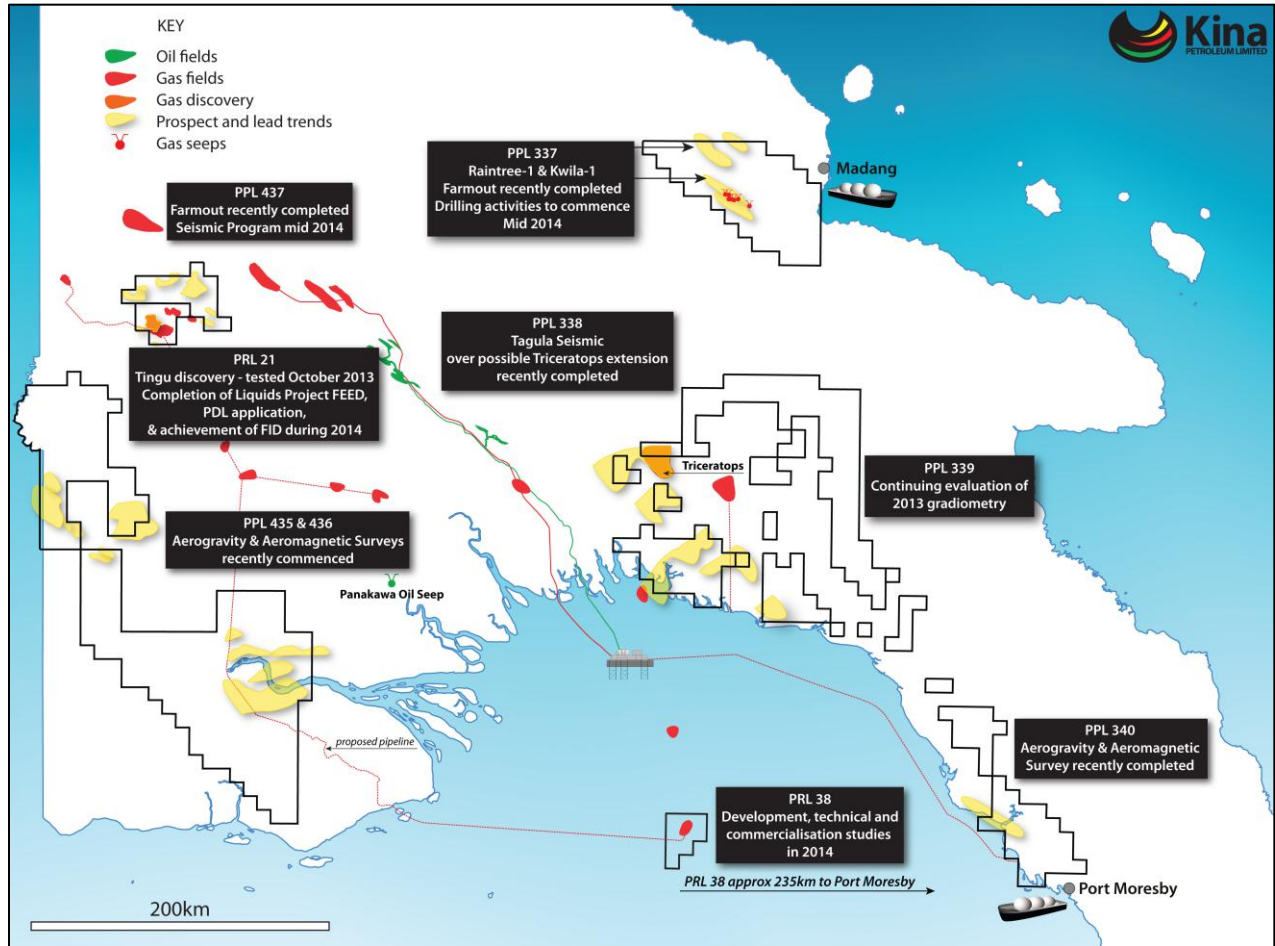
KPL's farmouts of PPL 337 and 437 to Heritage Oil plc have been completed with planning of the seismic program in PPL 437 and the drilling of 2 wells in PPL 337 well advanced. 2014 will see commencement of seismic acquisition in PPL 437 and drilling in PPL 337.

KPL has completed its aerogravity and aeromagnetic program in PPL 340 and the aerogravity in PPLs 435 and 436 will commence in early January 2014.

2. Based on the Kina Petroleum Limited ASX release of 16 October 2012 and Horizon Oil Limited ASX release of 12 October 2012.

3. Based on the Oil Search Limited 2012 Annual Report where the PRL 1 2C contingent resource of 191.1 bcf noted therein reflected their 24.0909% interest in that licence.

Map of Kina Petroleum Limited's licence interests



Petroleum Retention Licence ("PRL") 21 (Kina Interest 15%)

Drilling and Resources

The Tingu⁴ discovery, drilled in September/October 2013, was production tested in October and flowed liquids rich gas at an average rate of 48 mmcf/d, with an average Condensate to Gas ratio of 65 barrels per million cubic feet of gas. Immediately after the test of the Tingu well, impressive results were also obtained when production testing of the Ketu 2 well commenced. This flowed a consistent 35 – 40 mmcf/d of liquids rich gas, the Condensate to Gas ratio being 50 – 60 barrels per million cubic feet of gas.

Evaluation of the Tingu well and production test continues with confirmation of a 2C resource expected during the first quarter of 2014. The gross resource size is expected to be consistent with pre-drill estimates.

4. Refer to KPL/HZN ASX Announcement dated 28th October 2013

Kina's net resource within PRL 21 is presently split between 2C Contingent and P50 Prospective resources and is noted in table 1 below.

	2C Contingent Resource*			P50 Prospective Resource*		
	Condensate mmbbls	Gas bcf	Total mmboe	Condensate mmbbls	Gas bcf	Total mmboe
Elevala	3.4	59.4	13.3	-	-	-
Tingu	-	-	-	3.5	62.3	13.8
Ketu	2.7	59.9	12.6	-	-	-
TOTAL	6.0	119.3	25.9	3.5	62.3	13.8

* As noted in Kina Petroleum Limited ASX release of 16 October 2012 and Horizon Oil Limited ASX release of 12 October 2012.

Development Activity

Plans for submission of a development licence application for PRL 21 are on track for the end of Q1 2014. Detailed reservoir modelling and liquid development plans of the greater Elevala-Tingu structure will be submitted to the Joint Venture during the forthcoming quarter.

The 100% drilling success rate within PRL 21 has met expectations, and the liquids rich nature of the Elevala/Tingu gas accumulation means the Joint Venture has highgraded development planning for the liquids production from the licence. PRL 21 will directly benefit from the imminent development kick off for development of liquids from PRL 4 which has a liquids resource base one quarter the size of PRL21. The PRL 4 development will act as a prototype for the PRL 21 liquids project with cost and efficiency synergies being passed on to the PRL 21 Joint Venture.

Petroleum Retention Licence ("PRL") 38 (Kina Interest 25%)

On December 23rd 2013 KPL announced it had secured 25% of PRL 38 which includes the Pandora Gas Field and a number of undrilled reef prospects. The gas discovery is conservatively believed to contain approximately gross 792 bcf (198 bcf/36mmboe net KPL). Pandora 1X discovered gas in a Miocene reef in 1998 and was considered a stranded asset for some time. Given the dramatic escalation of activity in PNG in the LNG arena, and given KPL's significant asset spread in both Western and Gulf Province areas, the company looks forward to advancing development of this gas through an aggregation strategy with

facilities located on the coast, potentially incorporating floating technology, as well as a review of stand-alone options.

Petroleum Prospecting License (“PPL”) 337 (Kina Interest 100%)

Since confirmation of the farm out of PPL 337 to Heritage Oil Plc (“Heritage”) (LSE: HOIL, TSX: HOC), where Heritage will earn a 70% interest in, and operatorship of, the licence by drilling two wells, Heritage has moved quickly to complete its own interpretation of available data and assessment of conditions for drilling in the Kwila and Raintree Prospects. Heritage has completed an excellent review of the stratigraphy and confirms KPL’s view of reef prospectivity in the Raintree Sogeram area. Raintree remains the preferred reefal prospect and is located on an existing road which is ideal for access for the type of rig being considered for drilling Raintree this year.

Heritage’s interpretation of offset seismic data has rekindled interest in the Banam lead. Banam is located updip of the footwall at Kwila Prospect and was the preferred location at the time of KPL’s float when KPL’s independent consultant’s view was that the Banam structure was potentially large enough that it could have multi tcf potential. Heritage and KPL are currently reprocessing the seismic data over the Banam/Kwila area and if Banam is confirmed as a drillable prospect then it will be considered as one of the two wells to be drilled by the Joint Venture this year.

At the time of writing this report Heritage and KPL staff are evaluating access to all three potential locations

Petroleum Prospecting License (“PPL”) 338 (Kina Interest 100%)

The five seismic lines acquired as part of the Tagula Seismic Program were received towards the end of calendar year 2013. The data are being interpreted and integrated with data from the helicopter-borne Gravity Gradiometry program over Triceratops. A large gravity high is located north of the Triceratops well which may be encouraging for reefal development within PPL 338. KPL and Oil Search will meet during the forthcoming quarter to evaluate prospectivity in the area of Tagula Seismic Program and further afield in the licence.

PPL 338 is subject to Farm In Arrangements with Oil Search (PNG) Limited whereby Oil Search has a right to move to 70% interest in the licence by carrying KPL’s cost through a well to a capped cost. A farmin decision is expected during the first quarter of 2014.

During the past quarter Total farmed into PPLs 238 and 236 and purchased equity in antelope within PRL 15. Analysis of the deal suggests that it implies a deal value for the gas of between 58c and 84c per mcf⁵, providing a useful look-through for any potential discovery in areas surrounding Antelope. PPL 338 is immediately adjacent to Antelope and PPL 238 and KPL recognises a number of reef prospects within PPL 338 analogous to the Antelope Prospect.

5. UBS Research

Petroleum Prospecting License (“PPL”) 339 (Kina Interest 100%)

The two Oil Search helicopter-borne Gravity Gradiometry programs in PPL 339, (the Talis Survey to the west and the Okari Survey to the east) have identified gravity highs that offer encouragement for reef development in both areas. The Talis Survey was investigating possible Eocene reef developments at the basin margin and inspection of regional geology shows outcrop evidence for mid and late Miocene biohermal limestones. Stratigraphy of the PPL 338, 339 and 340 areas shows a progressive younging of the reefal limestones in a west to east direction and the drilling of Wahoo by InterOil in neighbouring PPL 238 will significantly impact the importance of this play.

PPL 339 is subject to Farm In arrangements with Oil Search (PNG) Limited whereby Oil Search has a right to move to 70% interest in the licence by carrying KPL’s cost through a well to a capped cost.

Petroleum Prospecting License (“PPL”) 340 (Kina Interest 100%)

During the quarter Hunt Energy and Minerals (PNG) Limited withdrew from PPL 340. KPL continued with the aeromagnetic/aerogravity survey and data was received year end. KPL is negotiating with neighbouring operators to trade and integrate aerogravity data to evaluate regional and basin architecture and to high-grade basement high blocks that may be conducive to reef development.

KPL continues to believe that PPL 340 sits on an Eocene trough to recent mobile block that has been over-thrust on to the palaeo-Australian margin and the Coral Sea Basin with mid Miocene to Recent reef potential confirmed by outcrop seismic and well data. InterOil’s Wahoo Prospect will have impact on KPL’s understanding of this play in the north but the Port Moresby Lead southeast of Oroï 1 remains KPL’s primary interest due to its shallow depth and closeness to Port Moresby. Operational lessons learned from the forthcoming drilling in PPL 337 will have an impact on cost and technology to be used in PPL 340, should drilling prove attractive.

Petroleum Prospecting License (“PPL”) 435 (Kina Interest 50%)

UTS Geophysics has been awarded the data acquisition contract with aerogravity and aeromagnetic data acquisition having commenced in the Aiambak Prospect area and areas to its north. Operations are progressing well and data will be received during in the current quarter. Historic seismic data is being sourced for seismic reprocessing and will be integrated with the aerogravity and aeromagnetic control.

The firm year 1 & 2 work program requirements are largely met by the aerogravity and aeromagnetic surveys and once interpretation is completed, KPL and its 50% co-venturer Cott Oil and Gas Limited will undertake farm out discussions with interested parties to bring forward seismic acquisition into 2014.

Petroleum Prospecting License (“PPL”) 436 (Kina Interest 50%)

At the time of writing KPL representatives are sourcing seismic data over the D’albert, Sturt, Alligator, and Oriomo leads from the DPE for reprocessing. These data will be integrated with the aerogravity and aeromagnetic data to be acquired following the PPL 435 data acquisition.

This aerogravity and aeromagnetic data will be merged with data relating to neighbouring licences to establish the basement fabric throughout PPLs 435, 436 and 437.

The firm year 1 & 2 work program requirements are largely met by the aerogravity and aeromagnetic surveys and once interpretation is completed, KPL and its 50% co-venturer Cott Oil and Gas Limited will undertake farm out discussions with interested parties to bring forward seismic acquisition into 2014.

Petroleum Prospecting License (“PPL”) 437 (Kina Interest 80%)

Following the farmout to Heritage Oil Plc (“Heritage”) by KPL, where Heritage will initially become contract operator and earn a 30% interest in the licence through completion of a seismic program, and have the option to earn an additional 20% interest in, and operatorship of, the licence, and following the success of the Tingu 1 well in PRL 21 the Joint Venture has completed a reassessment of the prospectivity of PPL 437. The Joint Venture is interested in pursuing a prospect along trend from Tingu, Malisa South. A seismic programme has been proposed over Malisa South and tender discussions are underway. The Joint Venture is entertaining the use of nodal technology for the forthcoming seismic programme which would facilitate the acquisition of a greater quantity of data through reduced unit rates. At the time of reporting field seismic data over the Candlenut Prospect is being sourced for seismic reprocessing. Candlenut is deeper than Malisa South but sits between Tingu/Elevala/Ketu, P’nyang and Juha and is an area of recognised prospectivity.

The proposed work programme, in addition to seismic, will test the Elevala, Toro and Imburu sandstones which in the previously drilled Elevala, Ketu, Tingu and Stanley fields are wet gas reservoirs. The Toro sandstone, which thickens to the north of PPL 437, is the sandstone which in the Juha and P’nyang fields contains hydrocarbons.

The presence of wet gas at Elevala, Ketu, Tingu, P’nyang and Juha offers significant potential for the discovery of liquids rich gas in PPL 437 which if drilled early could be included in any aggregation of liquids and gas projects out of PRL 4 and PRL 2.

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 2013

COMPANY NO.

1-63551

Consolidated statement of cash flows

	Current quarter USD \$'000	Year to date (12 months) USD \$'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(2,485)	(9,548)
(b) development	(1,150)	(1,665)
(c) production	-	-
(d) administration	(374)	(1,259)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	169
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (J/V Operator Fee income)	36	36
	(3,963)	(12,267)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(64)

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 337 farmin agreement)	500	500
		498	436
	Net investing cash flows		
1.13	Total operating and investing cash flows (carried forward)	-	-
1.13	Total operating and investing cash flows (brought forward)	(3,465)	(11,831)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	2,844	2,844
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	2,844	2,844
	Net increase (decrease) in cash held	(621)	(8,988)
1.20	Cash at beginning of quarter/year to date	7,702	16,199
1.21	Exchange rate adjustments to item 1.20	(350)	(480)
1.22	Cash at end of quarter	6,731	6,731

Note: Payments for exploration activity relate principally to costs for the Tingu well in PRL 21.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter USD \$'000
1.23	Aggregate amount of payments to the parties included in item 1.2	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

	USD \$'000
4.1 Exploration and evaluation	2,000
4.2 Development	1,000

4.3	Production	
4.4	Administration	320
Total		3,320

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	6,459	10,866
5.2	Deposits at call	272	304
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		6,731	11,170

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	-	-	-
6.2	Interests in mining tenements acquired or increased	PRL 38 25% interest (pre-government back in) in the licence, which includes the existing Pandora gas fields.	-	25%

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	235,519,138	235,519,138		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs (c) Release from escrow	15,250,000	15,250,000 97,417,901		
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)	1,500,000 600,000		Exercise price \$0.50 K1.10	Expiry date 20 December 2015 3 May 2016
7.8 Issued during quarter	Nil	Nil	Nil	Nil

7.9	Exercised during quarter	15,250,000	15,250,000	Exercise price of \$0.20	Exercise price of \$0.20
7.10	Expired during quarter	Nil			
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:31/01/14.....

(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.