Rule 5.3

Kina PETROLEUM LIMITED
PNG Company Number: 1-63551
ARBN 151 201 704

A company registered in Papua New Guinea

31 October, 2016

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD: 1st July 2016 to 30th September 2016

Summary for the Quarter

- **PRL 21 – During the quarter, work continued on optimising development and commercialisation options. The previously noted increase in equity to around 16.5%, following re-distribution of Mitsubishi's interest, is consistent with Kina's policy of building a position in a future Western Province development that takes advantage of the high liquids content in the gas.**

- **PRL 38 – Kina continues analysis of commercialisation of the Pandora gas resource using available open file data. Development options include a midstream FLNG project by aggregating with another proven resource in the Gulf of Papua. The company continues to monitor the growing energy demand in Australia and SE Asia which could cause new infrastructure developed in PNG to fast track development of PNG's discovered but undeveloped resources.**

- **PPL 338 – discussions with the Department of Petroleum and Energy are proceeding well with respect to the extension of PPL 338 as well as APPLs 581, 596, 597 & 598 which cover the previously held PPL 338 licence area. The extension area covers all high graded prospects.**

- **PPL 339 - As stated last quarter, Oil Search (PNG) Limited, as licence operator of PPL 339, is proceeding with an extension application for the licence covering the key prospects identified to date. Interpretation of Kalangar prospect is complete and although considered prospective, Kina may look to farm out part of its interest in the licence.**

- **PPL 340 - Kina has submitted extension documents for the licence. Mapping of the Port Moresby and Lizard prospects is complete with the Lizard prospect looking very promising, particularly in respect of its proximity to Port Moresby.**

- **PPL 435 & 436 - seismic reprocessing has upgraded five large leads close to the Fly River which offers easy export potential via the Fly River.**

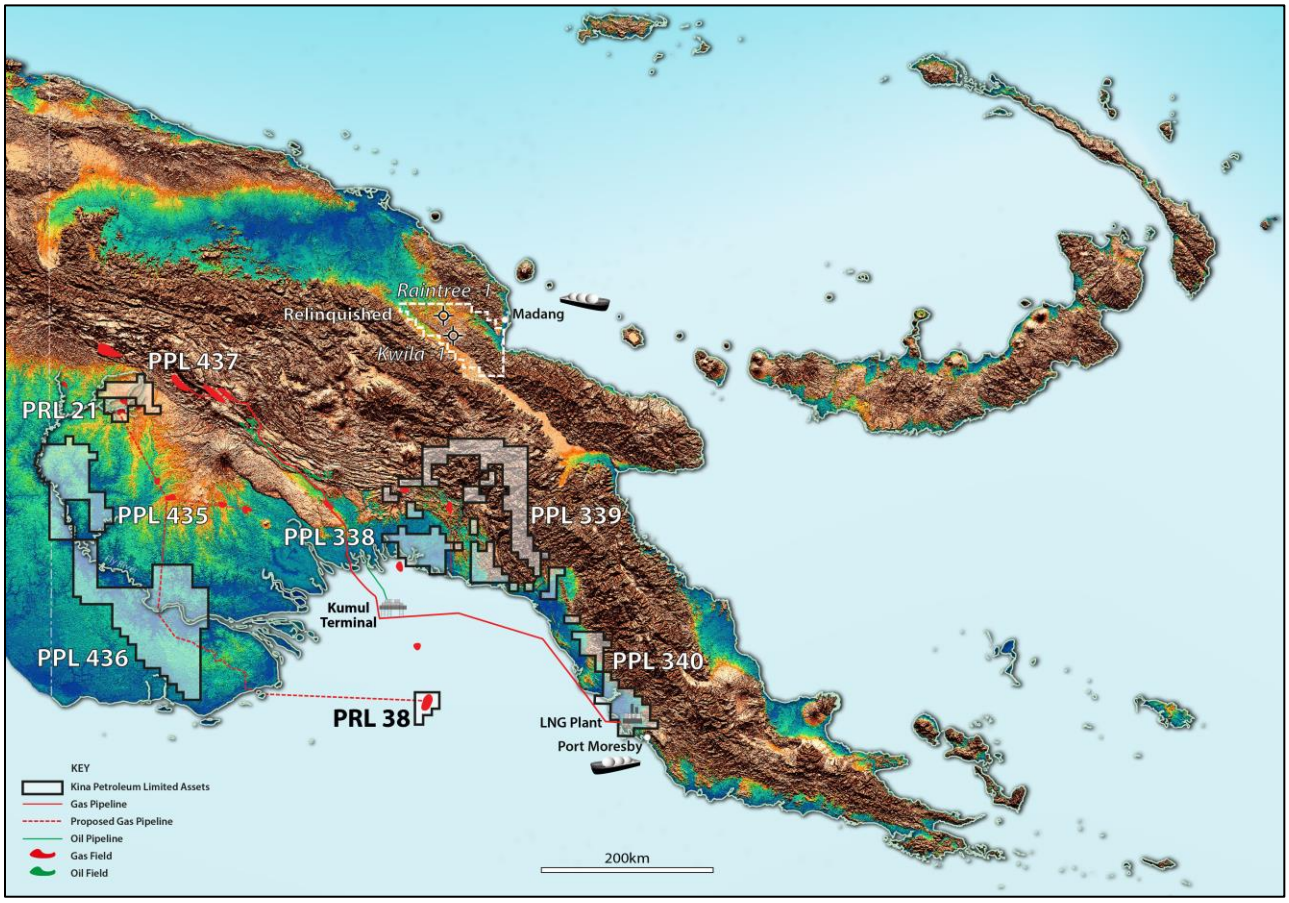
- **PPL 437 – A seismic program has been proposed over Ebony Mango and Kandis Prospects located in the east of the licence. The program will form part of a farm out process.**

Company, PNG and Industry Outlook

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 in keeping with its policy of not committing funds to high risk activity will look to farm out its funding exposure to material future exploration licence expenditure commitments.

Map of KPL's licence areas



Oil and gas prices are now hovering at around $50 per barrel rising from the lows of less than $30 in early 2016. Rising demand in Eastern Australia and SE Asia will likely put further upward pressure on gas demand creating potential opportunities in PNG which hosts abundant uncommitted gas resources and is well placed to service both markets.

Interest in the Eastern Papuan Basin remains high with ExxonMobil bidding US$45 per share for InterOil Limited, which is US$4.75 more than Oil Search's 20 May 2016 offer of US$40.25 per share. ExxonMobil's

offer values Interoil's acreage – immediately adjacent to Kina's PPLs 338, 339 and 340 - at nearly US$2.5 billion not including any resource based contingent value rights.

Kina's assessment of PPLs 338, 339 and 340 is that they overlie, or are close to the boundary of the convergent north-eastern edge of the north-travelling Australian and the north-westerly directed Pacific plates. The compressive/ transverse stresses operating obliquely at the boundary have caused successive local movement in PPLs 338, 339 and 340 over the last 40 million years. Drilling, seismic data and outcrop investigations by Kina, and other operators in Eastern PNG, have identified numerous sites for development of carbonate build ups along this margin area. Kina's work over the last 4 years has high-graded the sweet spots for carbonate development in PPLs 338, 339 and 340 and the high graded areas have formed the basis for our extension applications in these licences. As noted above, extension of these licences will coincide with a price driven improvement in the environment for exploration and development investment.

To the southwest of PPLs 338, 339 and 340 Kina has built a significant acreage position in the easily accessible and relatively low operating cost areas of Western Province. Core to our strategy is the development of the Elevala and Ketu wet gas fields in PRL 21 but it should be noted that Western Province is the largest and least explored petroleum rich area in Australasia. KPL's reprocessing of the PPL 435, 436 and 437 seismic data and the pre-investment in acquisition of airborne gravity and aeromagnetic data has high graded some very large gas targets in southern Western Province which will be developed as part of Kina's farm out package.

Much of Kina's proposed development and exploration areas are, intentionally, in areas that are relatively easily accessible for seismic and drilling operations. KPL, and partner Heritage Oil Limited, confirmed in PPL 337 that drilling operations can be executed at much lower cost if non-helicopter supported operations are used. In advance of future seismic operations, KPL has also determined that seismic costs can also be more than halved if helicopter use is reduced and nodal seismic technology is used.

KPL is confident that with its portfolio of significant prospects and leads, a higher oil price and adoption of a multi-licence low operating cost approach, it is possible to attract significant interest from potential farminees into its licences once government approvals for extensions and pending variations are granted.

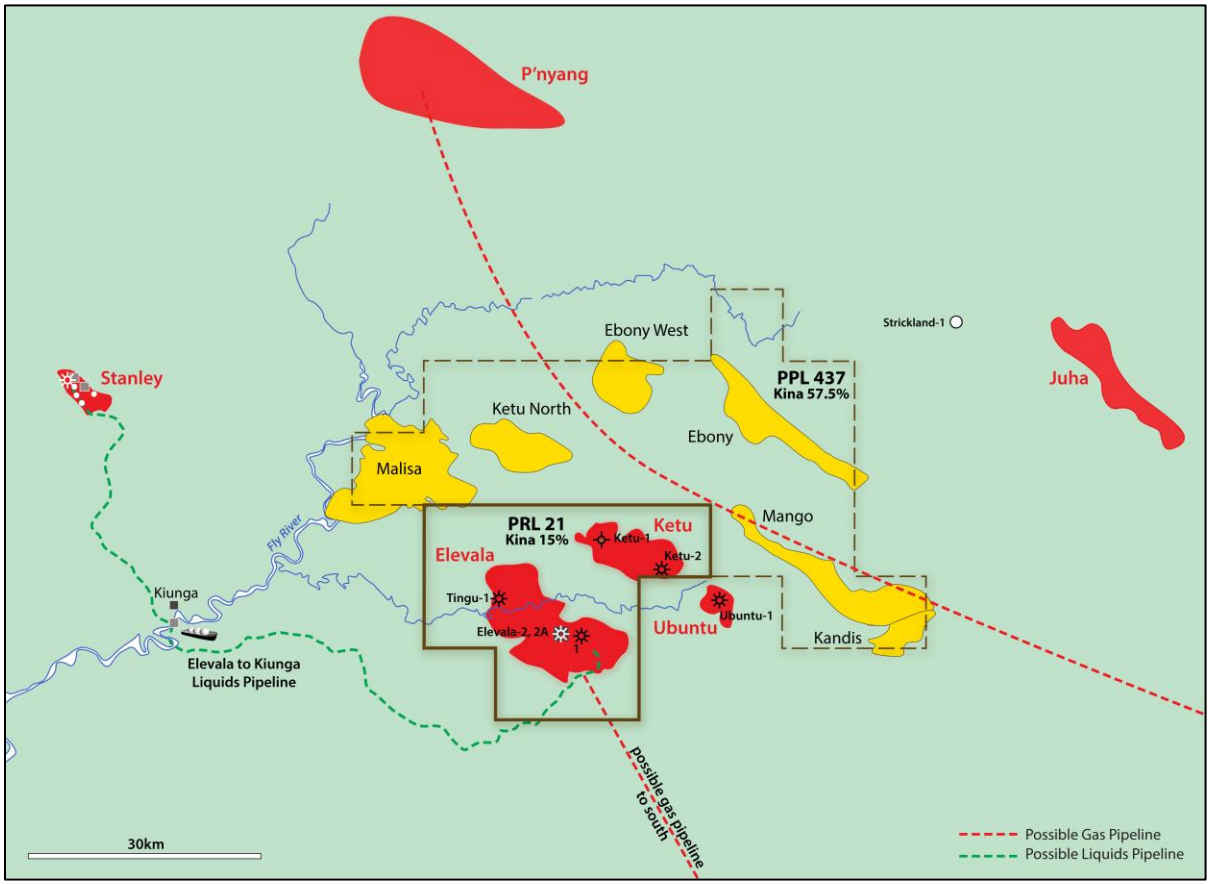
PRL 21 (KPL interest 15%, to increase subject to finalisation of distribution of Mitsubishi interest)

The operator remains focussed on development and commercialisation options and advises that it sees no fatal flaws in respect of technical, environmental, or regulatory issues in respect of development of the asset. Work during the quarter refined the Joint Venture's views on development concepts in order to frame future development activities.

Following the redistribution of Mitsubishi's interest Kina will pick up around a further 1.5% participating interest in the licence. Kina views this as a bonus which helps claw back equity it had to divest when Elevala-2 was drilled prior to the float of the company.

Kina remains committed to the development of the asset having originally applied for 100% of PRL 21 on the basis of the liquids resource present within the gas. In this time of firming oil prices it is expected that the liquids will add considerable value to the hydrocarbon resource present in PRL 21.

Map of PRL 21 (and adjacent PPL 437) licence area



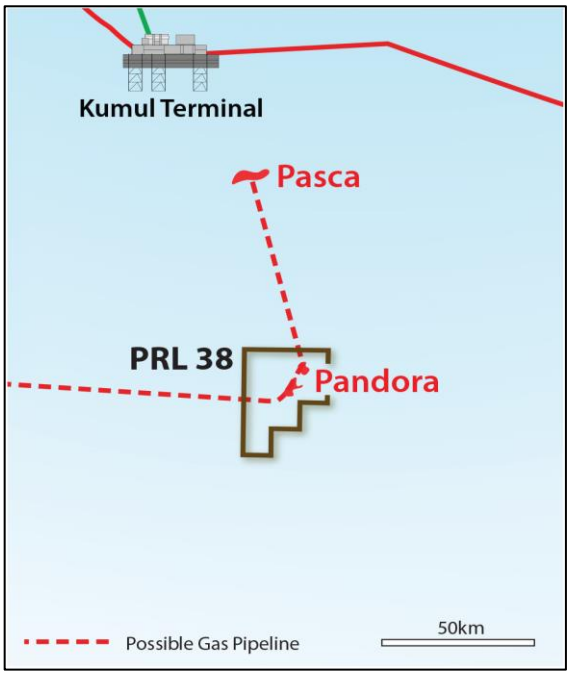
PRL 38 (KPL Interest: 25%)

Following its review of existing seismic data in PRL 38, Kina is now in the process of acquiring additional open file data in an effort to integrate its understanding of how the Miocene reefs present in Pandora, Pasca, Uramu, Antelope and the outcropping Miocene reefs in PPL 340 are linked. InterOil's Antelope discovery has elevated the Miocene carbonate play for the major companies operating in the region.

The Eastern Papuan Basin Carbonate Play has developed over where the north eastern margin of the Australian Plate and the north-westerly moving Pacific Plate have converged since Australia started migrating north 45 million years ago. Tectonics are complex but with its exposure to the eastern and northern margin of the plate boundary Kina is in an excellent position to build its understanding of the play and has built a significant portfolio of carbonate targets that have similarities to proven successful analogs.

The Pandora gas discovery is one such proven resource located close to the Australian border at the southern margin of the play trend. On its own it is a significant but stranded resource but in these times of growing energy demand in Australia and SE Asia, Pandora has the potential to contribute to a future aggregated project to meet that demand. Development infrastructure is the key and Twinza Oil Limited's (40% in PRL 38) plans for a Pasca FLNG development warrant consideration for PRL 38. Kina continues to monitor all development options and believes the changing supply/demand environment in Australia will have impact on many as yet uncommitted gas discoveries in PNG.

PRL 38 Licence Area



PPL 338 (KPL Interest: 100%)

The PPL 338 extension application and APPL 581 have progressed and now await only ministerial approval. APPLs 596, 597 & 598 are awaiting PAB Review.

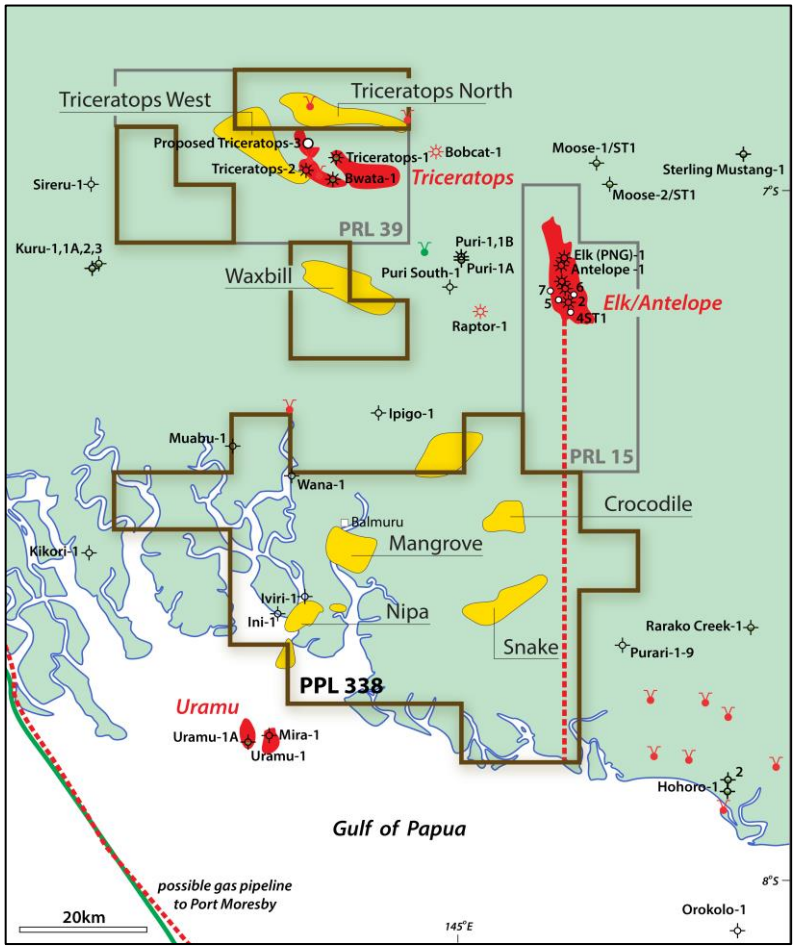
PPL 338 and the APPLs lie at the northern Australia Plate margin, very close to the junction of intersecting trends controlled by the motions of the Australian and Pacific Plates. The Antelope gas reservoir is a carbonate that grew on the plate margin in the early to mid-Miocene. Plate convergence and thrusting/wrenching in the Plio-Pleistocene has uplifted Antelope with respect to Miocene reefs developed at Uramu immediately south of PPL 338. A Plio-Pleistocene foreland basin has developed south of Antelope where Kina has identified Crocodile, Mangrove and Nipa Prospects.

To high grade a drilling location at one of the key southern prospects Kina has proposed a future work program of gravity gradiometry data acquisition to be followed by seismic acquisition. Work has not yet commenced due to delays in receipt of the PPL 338 licence extension. The hiatus in activity has coincided with the down turn in industry activity due to low oil prices. With the recent upswing in oil prices and likely increasing demand for gas, Kina is confident that the forthcoming exploration activity over Mangrove, Crocodile and Nipa can be readily farmed out.

In the north of PPL 338, Triceratops is a large discovery delineated by 4 wells: Bwata 1, and the Triceratops 1, 2 and 3 discoveries. Triceratops 3 was drilled just 3 kilometres from the PPL 338 block boundary and Kina believes the Triceratops gas discovery may extend into PPL 338. The Triceratops reservoir is a mid Miocene carbonate overlain by an upper Miocene marl sequence. Improved reservoir may develop to the north of Triceratops 3 as a consequence of karstification or reef development at a late Cretaceous fault edge.Gravity gradiometry data and seismic data have already been acquired over Triceratops with good seismic well ties out of Triceratops 3 into PPL 338. A large gravity gradiometry anomaly to the north of Triceratops 3 offers encouragement for reef development or at the least a carbonate thickening at a north facing boundary before dropping off into a late Cretaceous and early Miocene trough.

Like Antelope, Triceratops is uplifted by Plio-Pleistocene faulting which separates it from the foreland prospects of Crocodile, Mangrove and Nipa. The Triceratops North Prospect within PPL 338 has sufficient seismic control to be considered drill ready subject to the result of ongoing reservoir studies and conclusion of structural analysis. Kina is preparing potential prospective resource numbers for the prospect inventory and once finalised will undertake a farmout effort comprising seismic acquisition and a number of wells.

Map of PPL 338 Licence Area



PPL 339 (KPL Interest: 30%)

PPL 339 is located in the eastern Papuan Basin, approximately 50km south and east of Antelope. The PPL 339 extension process is being managed by licence Operator Oil Search (PNG) Limited in consultation with the PNG Department of Petroleum and Energy. The focus has been on the Kalangar Prospect which is located in the eastern portion of PPL 339, approximately 80km southeast and along trend from Antelope. Reprocessed seismic lines within PPL 339 demonstrate a large uplifted feature at Kalangar but assessment of the depth to top reservoir and the nature of the reservoir remains interpretive.

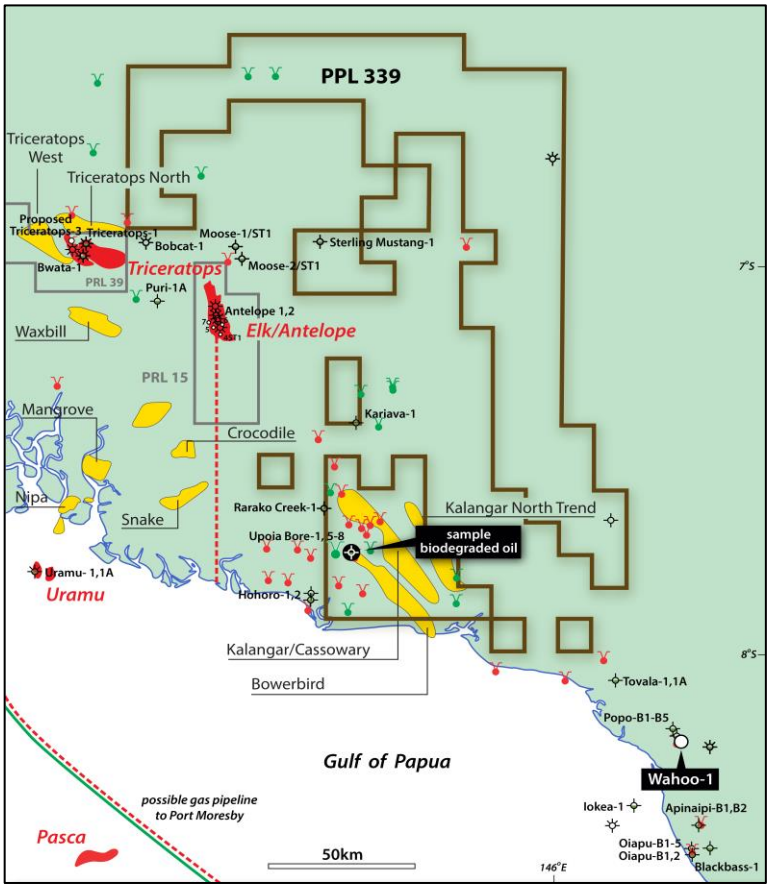
Kalangar is located on a Plio-Pleistocene, up-thrusted fault block at the south western margin of the Aure Trough but at the north eastern edge of the Australian Plate. The relationship between the prospects identified in PPLs 338, 339 and 340 is the focus of Kina's technical work, which along with gravity gradiometry and seismic data suggest that the Kalangar Prospect is located on a prominent structural

high which could act as a focus for present day migration of hydrocarbons. This is supported by the numerous oil and gas seeps west of Kalangar.

On the basis of its proximity to what is the largest hydrocarbon discovery in PNG, the pronounced gravity gradiometry anomaly associated with the prospect and the abundant oil shows just west of the prospect, Kalangar is considered by Kina to be prospective. However, consistent with Kina's policy of minimising exposure to higher risk exploration activities, Kina may seek a farmin partner for the drilling phase of licence activity.

Cassowary and Bowerbird remain prospective, are on the Antelope-Kalangar trend and provide good follow up potential in the event of success at Kalangar.

Map of PPL 339 licence area



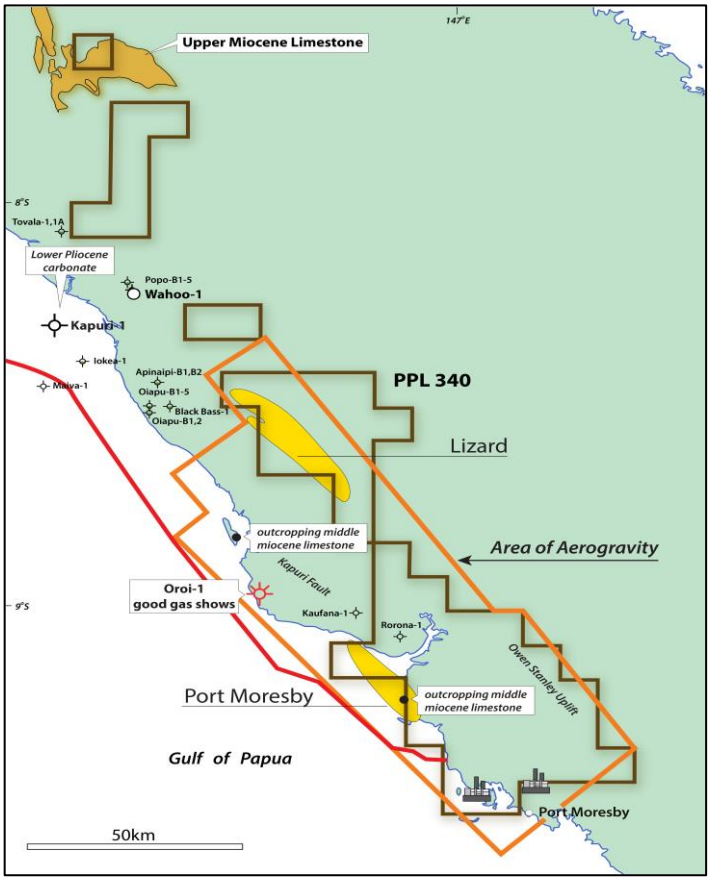
PPL 340 (KPL Interest: 100%)

PPL 340 is in the eastern Papuan Basin, located northwest of Port Moresby and in an area of easy access from Port Moresby. An extension application for PPL 340 has been submitted to the DPE and is nearing final determination.

Lizard Prospect is the most attractive carbonate target and is accessible from Port Moresby by road. Lizard is potentially very large and is located in the mobile zone close to the boundary between the Australia and Pacific Plates. Lizard is up dip of Wahoo 1 where thermogenic hydrocarbon shows were reported while being drilled by Interoil. Vintage seismic data at Lizard is supportive of a carbonate thickening building up to the northeast. However, seismic data is sparse and fault trajectories are unclear. KPL has proposed acquisition of gravity gradiometry data as phase 1 of its extension of PPL 340. The new data will be tied into open file data to the northwest to better define the fault orientation out of Wahoo 1 towards Lizard and to determine the optimal location for seismic acquisition to define a drilling location.

KPL has already tested the market for seismic acquisition in PPL 340 and with full road support seismic costs could be as low as US$20,000/km which is lower than the seismic acquisition costs incurred in other licences in which KPL is a participant (and those costs are themselves a material step down from the seismic acquisition costs incurred in licences to the north of PPL 437). Similarly, logistics at Lizard make the prospect ideal for further testing land supported drilling operations and KPL believes Lizard Prospect is the perfect lead in project for testing our operational concepts in advance of the larger multi licence farm out effort for PPL 338 and the licences in Western Province.

Map of PPL 340 licence area



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

PPL 435 and 436 are two large blocks located in the Western Province, structurally within the Papuan Foreland but both have been impacted by stresses associated with Late Cretaceous and earliest Tertiary break up of Gondwanaland and the subsequent rush north by the Australian plate towards the Pacific Plate.

The early tectonics saw uplift along the eastern edge of the old Australian plate edge and subsequent north-eastern sag of the plate, prior to the onset of Plio-Pleistocene thrusting and foreland basin development as noted above in PPL 338. Our regional seismic ties indicate there are 2 Plio-Pleistocene troughs which appear to be separated by the Bosavi Arch. Also as noted above, periodic movements post end Cretaceous through to mid-Miocene have established an area conducive to carbonate deposition in the north east of the Papuan Basin but in the south-west of the Basin in Western Provence, these movements have created trap forming structures with faults throwing down to the southwest ideally placed for trapping hydrocarbons migrating southwards out of the foreland troughs in the north. Gas flows from Lake Murray 1, Manta 1 and the oil flowing at 5 barrels per day from the seep at Panakawa demonstrate the broad front along which hydrocarbons are presently migrating south.

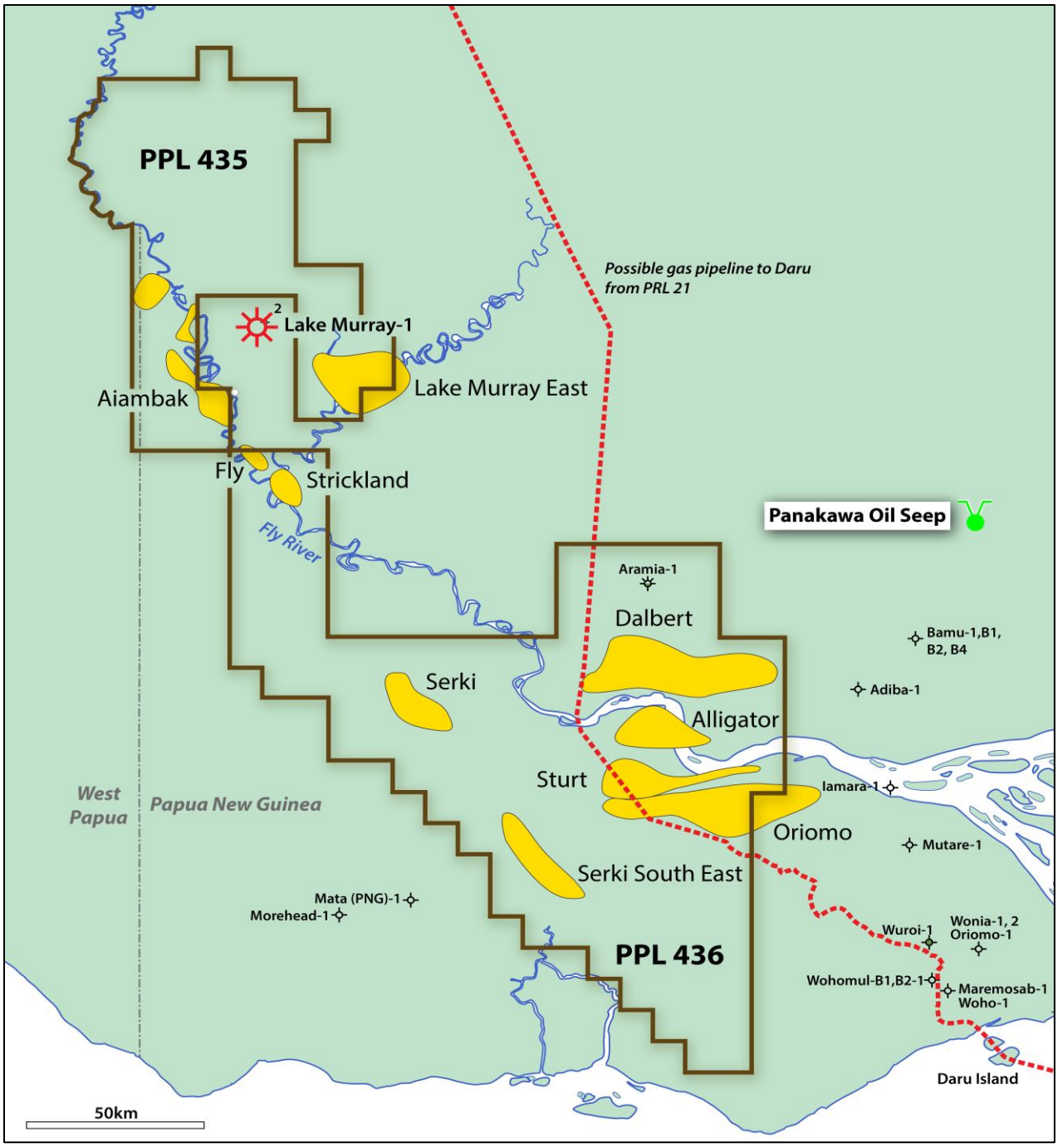
The reprocessed seismic data in PPLs 435 and 436 are being tied in to PRL 21 and PPL 437 seismic and well control data. Detailed time structure and time interval maps are being prepared to determine the timing of onset of hydrocarbon generation and the direction of migration into the traps recognised in PPLs 435 and 436. The location of Aiamback, Oriomo and Alligator Prospects are ideal to trap hydrocarbons migrating from the north and east. Reservoir and source rocks are recognised on the basis of improved data quality of seismic control reprocessed by KPL.

The objective depths of the primary reservoir targets are well within the depth ratings of the road supported rigs being considered for PPL 340 and the terrain in southern PPLs 435 and 436 is ideal for the “boutique seismic” operation being proposed for PPL 340. These prospects are being matured for another round of seismic in advance of selection of drilling location. The seismic and drilling activities will form part of KPL’s farmout effort.

KPL believes the southern Papuan Basin of Western Province has the potential to generate large prospects along what is an inverted southern margin of the basin. These prospects represent major breakthrough plays in a proven petroleum system very close to the Australian border. The terrain is flat, easily accessed and in the event of a discovery easily developed.

A map of the PPL 435 & 436 licence areas appears on the following page.

Map of PPL 435 & 436 licence areas



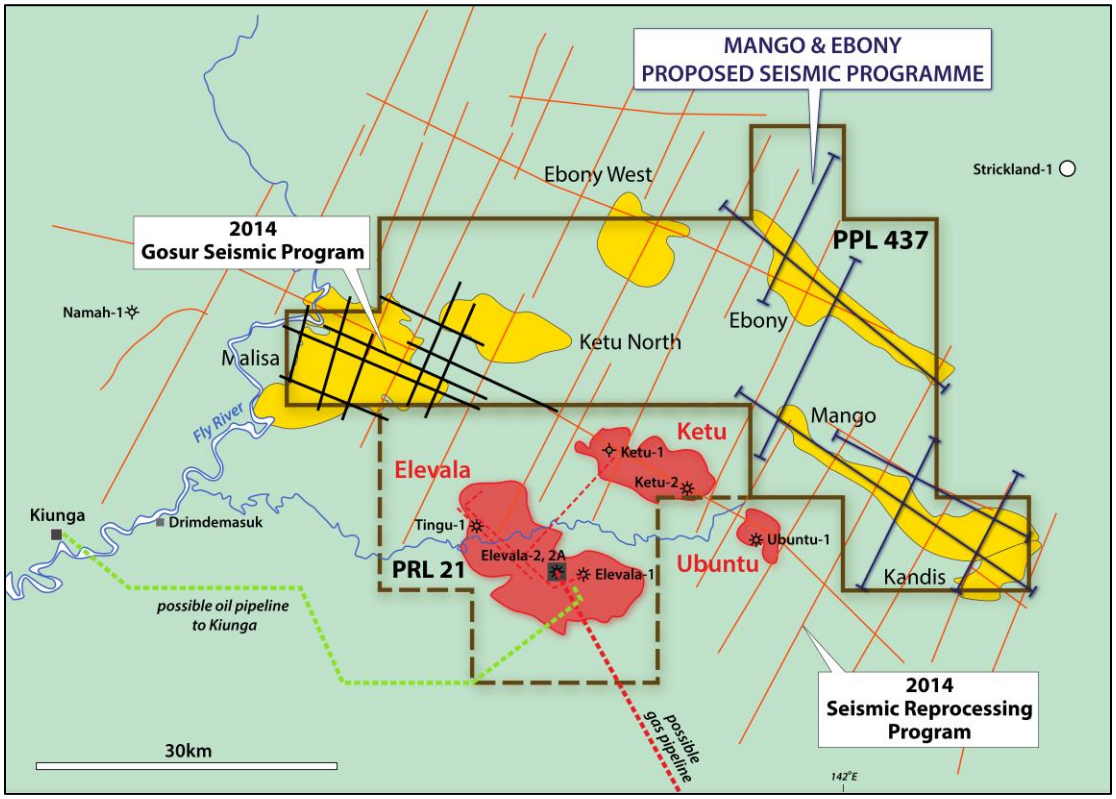
PPL 437 (KPL Interest: 57.5%)

PPL 437 is located in the Western Province of PNG, immediately north of PRL 21 (Ketu-Elevala). The Malisa Prospect is along trend from Elevala and drill ready, though unfortunately, shared with neighbouring PPL 259. As noted in previous quarterly reports drilling of Malisa will take place once a multi-well program has been developed and a contribution can be agreed with licencees of adjacent permits. Western Province gas is coming more into focus with drilling currently occurring north of PPL 437 at Strickland-1 and Oil Search proposing to drill Muruk-1 late 2016.

Other large features are recognised in PPL 437 to the east of Malisa. The Ebony and Mango Leads offer large wet gas potential and lie under the proposed ExxonMobil pipeline from P'nyang to Port Moresby. Ebony is a Ketu lookalike and Mango is very similar to Elevala. The prospects are proximal to P'nyang, Juha, Elevala and Ketu and lie within the active hydrocarbon generative kitchen charging these fields. Reservoir, charge and seal are considered low risk with only structural integrity requiring confirmation. Seismic is expected to be acquired in 2017 as part of a multi-licence program.

The development of infrastructure in Western Province will greatly increase the value of PPL 437 and although the Ebony and Mango leads require a program of an additional 150km to be acquired, KPL is confident that the increasing focus on Western Province gas will facilitate farm out of the program.

Map of PPL 437 licence area



Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Kina Petroleum Limited

ABN	**Quarter ended ("current quarter")**
30 151 201 704	30 September 2016

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (9 months) $US'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(333)	(1,136)
	(b) development	(43)	(289)
	(c) production	-	-
	(d) staff costs	(116)	(340)
	(e) administration and corporate costs	(153)	(615)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(645)**	**(2,377)**

Consolidated statement of cash flows		Current quarter $US'000	Year to date (9 months) $US'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-

Consolidated statement of cash flows		Current quarter $US'000	Year to date (9 months) $US'000
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	8,579	10,343
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(645)	(2,377)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(14)	(46)
4.6	**Cash and cash equivalents at end of period**	**7,920**	**7,920**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $US'000	Previous quarter $US'000
5.1	Bank balances	7,920	8,579
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**7,920**	**8,579**

6.	Payments to directors of the entity and their associates	Current quarter $US'000
6.1	Aggregate amount of payments to these parties included in item 1.2	49
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Non-Executive Directors Fees

7.	Payments to related entities of the entity and their associates	Current quarter $US'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	Financing facilities available *Add notes as necessary for an understanding of the position*	Total facility amount at quarter end $US'000	Amount drawn at quarter end $US'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	Estimated cash outflows for next quarter	$US'000
9.1	Exploration and evaluation	480
9.2	Development	120
9.3	Production	-
9.4	Staff costs	115
9.5	Administration and corporate costs	140
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**855**

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.



Sign here: Date: 31 October 2016

(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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.