



A company registered in Papua New Guinea

31 January, 2017

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD: 1st October 2016 to 31st December 2016

Summary for the Quarter

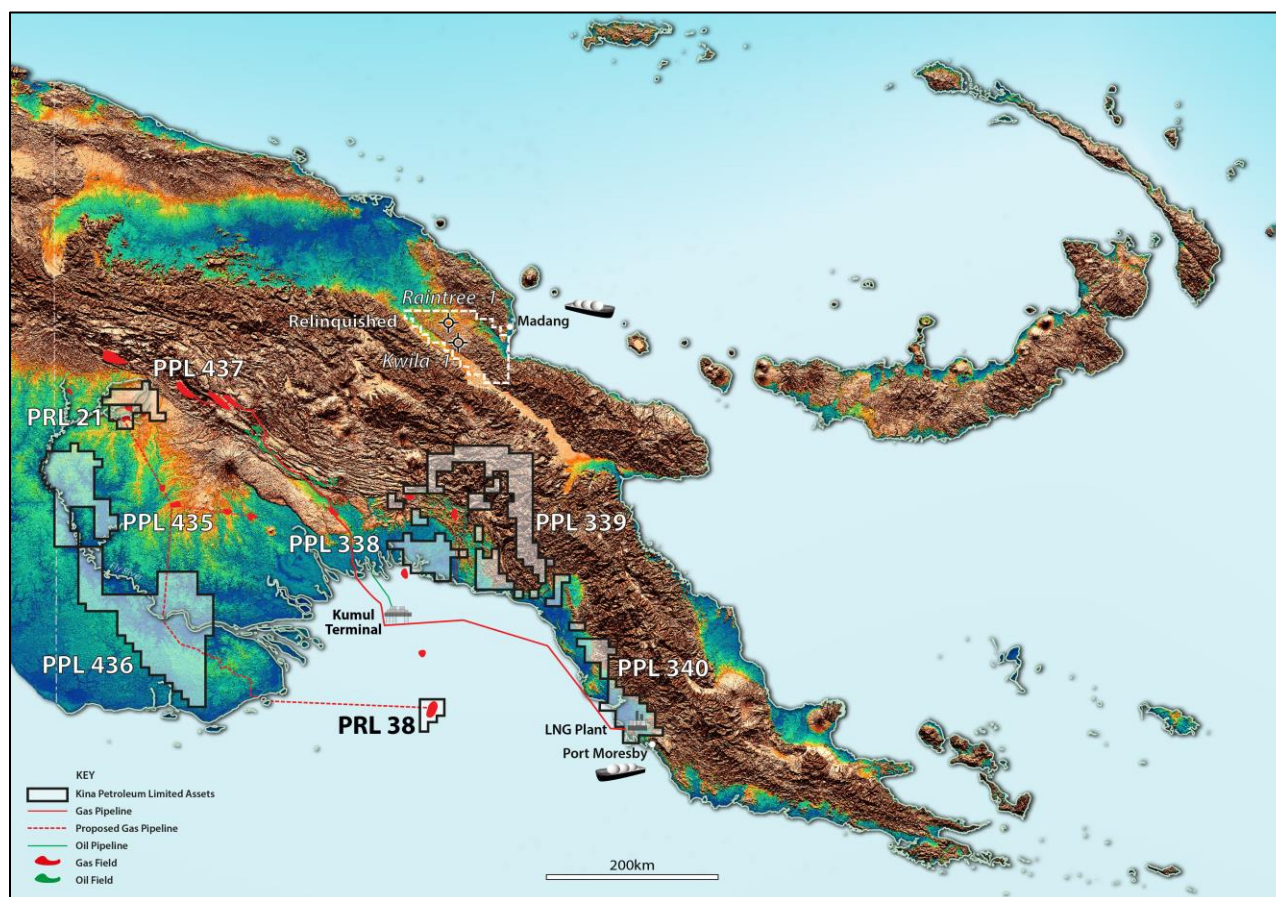
- **PRL 21 – Work continued to optimise development and commercialisation options in respect of an aggregated gas development. The announcement by Kumul Petroleum (holder of State interests in Oil and Gas) of their intention to facilitate construction of a pipeline and focus on development of Western Province gas is positive for an aggregated development involving PRL 21 resources. The high liquids content of the gas and the possibility of lower tax levied on liquids projects further improves and widens the range of development options.**
- **PRL 38 – Interpretation of 3D seismic over Pandora has begun. The data is giving a clearer perspective of the reefs and how they formed. The data will benefit from state of the art processing technology and this should be an immediate focus for evaluation of forward development proposals. Development options remain focussed on a midstream FLNG project by aggregating with another proven resource in the Gulf of Papua.**
- **PPL 338 – Offer of extension of PPL 338 and offer of new licence APPL 581 have been delivered to Kina. The final grant is expected during the first quarter of 2017. Offers for APPLs 596, 597 & 598 which cover the remainder of the previously held PPL 338 licence area are pending and expected shortly. The extension area of PPL 338 covers all high graded prospects.**
- **PPL 339 - Oil Search (PNG) Limited, as operator of the licence, is managing the extension process and progressed discussions with the Department of Petroleum and Energy in December and also January of 2017. The Extension area covers the Kalangar Prospect which is expected to be the first well drilled. Kina will look to farm down its exposure to this well.**
- **PPL 340 – An offer for extension of the licence is pending and expected sometime in the first half of 2017. Lizard prospect remains very promising, particularly in respect of its proximity to Port Moresby and the revised structural synthesis which shows some structural similarities with Kalangar and Antelope. PPL 340 future work program is going to be farmed out.**
- **PPL 435 & 436 – Attention has been focussed on the upgraded leads close to the Fly River which offers ease of access for the slim hole rigs being evaluated by Kina. The leads will be subject to seismic acquisition prior to a decision to drill. The seismic program will be farmed out.**

- **PPL 437** – A farm out seismic program was announced by Kina at the 14th PNG Mining and Petroleum Investment Conference held early December. The proposed program over Ebony Mango and Kandis Prospects remains attractive in spite of the recent plugging and abandonment of Strickland 1 and 2 because these two wells did not test the Toro or Elevala sands, which are the primary objectives of Kina’s prospects. The gas pipeline proposed by Kumul Petroleum Holdings Limited crosses PPL 437 and high grades the Ebony and Mango Prospects in respect of their proximity to future export infrastructure.

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 with 4 APPLs pending.

Map of KPL’s licence areas



Oil and gas prices are approaching \$60 per barrel rising from the lows of less than \$30 in early 2016. PNG hosts abundant uncommitted gas resources and remains in the lowest cost quartile for development of LNG assets in the world. Oil production from PNG fields has declined but with the Government signaling a possible drop in tax rate for liquids projects from 45% to 30%, Kina sees opportunity to build liquids production from its assets in Western Province where Elevala, Ketu and Tingu have high gas wetness ratios - approaching 60 barrels per million cubic feet of gas.

Interest in the Eastern Papuan Basin remains high with Antelope 7 currently drilling. As stated previously, Kina's assessment of PPLs 338, 339 and 340 is that they overlie, or are close to the boundary of the north-eastern edge of the Australian Plate which is converging with the Pacific plate. The stresses operating at the plate boundary have caused successive local movements in PPLs 338, 339 and 340 over the last 40 million years. Our work in Eastern PNG, has identified numerous sites for development of carbonate build ups associated with a mid Miocene barrier reef system along this marginal area with sweet spots for carbonate development in PPLs 338, 339 and 340. Our focus remains on developing prospects that can be cost effectively tested by the improving slim hole drilling technology, thus avoiding the huge helicopter support costs required in the remote fold belt.

Kina's core driver remains the development of the Elevala and Ketu wet gas fields in PRL 21 and through its holding in PPLs 435, 436 and 437 Kina has significant growth assets in Western Province which has become the focus area for the Government's development strategy through some form of aggregation of Western Province discoveries. The higher oil price, the potential lower tax rate for liquids and the proposal to build pipeline infrastructure in Western Province will foster great interest Kina's holdings in the west.

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.

PNG LNG has been operating trouble free and well above name-plate production rates since its commencement in 2014. This, along with improving confidence in the Energy Market, PNG's good operating track record, good fiscal terms, its significant discoveries and portfolio of large prospects & leads places PNG at the forefront of countries for competing for investment in the petroleum/LNG business. Kina's good acreage position and its depth of knowledge in respect of PNG positions the company well as levels of interest grow in 2017 post the downturn of the last couple of years.

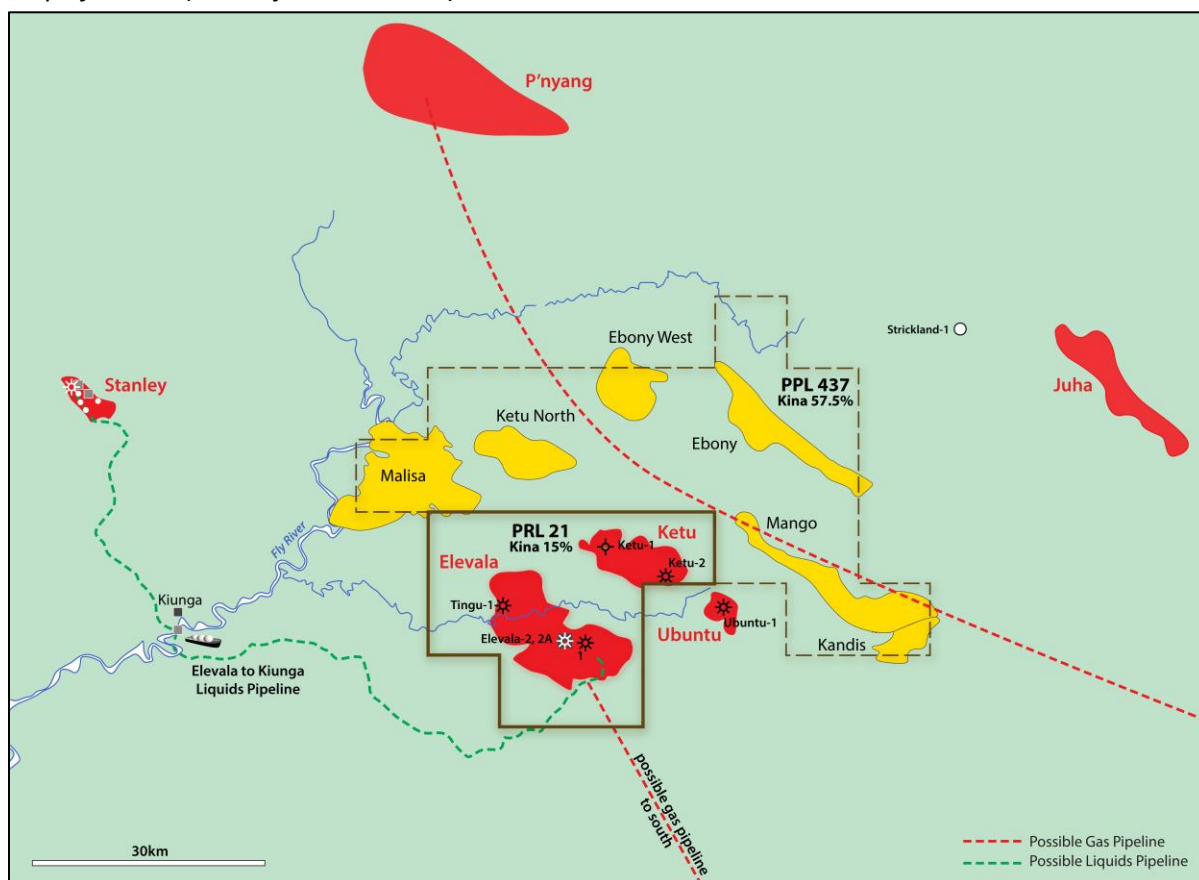
PRL 21 (KPL interest 15%, to increase subject to finalisation of distribution of Mitsubishi interest)

The operator remains focussed on an aggregated development and commercialisation approach for Elevala & Ketu Fields. A Joint Working Team (with PDL 10) has been established with a view to addressing the minimum resource size required for a mid-stream LNG project. The Joint Venture continues to evaluate optimum development and scenarios with a range of field sizes and development programs being modelled.

The results of the nearby Strickland 1 and 2 wells have no impact on PRL 21 but the recent initial results from the Muruk-1 well (operated by Oil Search) may influence development timing of broader Western Province resources. To this end, Kina was pleased to see the PNG Government's and Kumul Petroleum Holding's announcements in respect of their plans for development of infrastructure in Western Province.

Further, the possible drop in tax rate on liquids projects from 45% to 30% should stimulate interest in the very rich level of liquids present in Ketu and Elevala.

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



PRL 38 (KPL Interest: 25%)

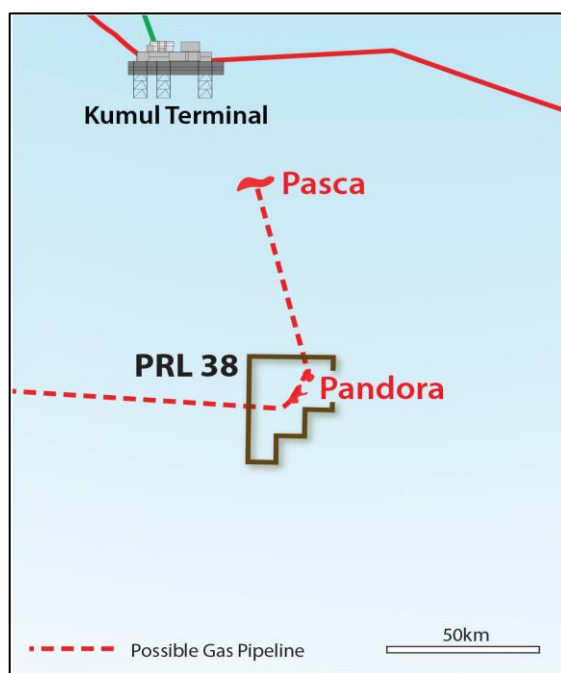
The Pandora gas discovery is located close to the Australian border at the southern margin of the carbonate play trend in PNG before the carbonates climb to the south merging with present day reefs of the Great Barrier reef system.

Kina has commenced its interpretation of the Pandora 3D seismic data and is merging this detailed interpretation with its regional interpretation of the Gulf 2D seismic data set. Although this vintage 3D data set is giving greater clarity to the top carbonate seismic event the data does not give the quality of data one would expect from a current state of the art 3D seismic data processing. The new data will help to delineate the resource and help us understand how the carbonate varies away from well control.

On its own, Pandora remains a significant but stranded gas resource and Kina believes definition of any follow up potential within the PRL will require reprocessing of the 3D data set.

As stated in Kina's September 16 quarterly report, growing energy demand in Australia and SE Asia will see Pandora make a contribution to some form of future aggregated project. Development of infrastructure is the key to Pandora's ultimate monetization and Twinza Oil Limited's (40% in PRL 38) plans for a Pasca FLNG development will be followed with great interest by the PRL 38 JV.

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.



PPL 338 (KPL Interest: 100%)

Offers for the extension of PPL 338 extension and a new licence APPL 581 have been received from the DPE and terms offered by the Minister have been accepted by Kina. Kina now only awaits Ministerial confirmation of our acceptance..

The regulatory review process for APPLs 596, 597 & 598 is complete and we now await the offer of these licences.

PPL 338 and the APPLs lie to the north of the Australian Plate, very close to the junction of intersecting trends controlled by the motions of the Australian and Pacific Plates. PPL 338 is a Tertiary carbonate prone area with mid and late Miocene fault blocks influencing the growth of the carbonates. The central PPL 338 area is at a junction which separates the predominantly mid to early Miocene sequence of the Aure Trough and the late Miocene sequences that developed between PPL 338 and the Fly Platform to the south.

A number of reactivated faults within PPL 338 show evidence of mid and late Miocene carbonate buildups which may extend into the early Paleocene. This set of north and west facing build-ups grew and acted as barriers to areas of early to late Miocene sedimentation and the expansive Fly Platform.

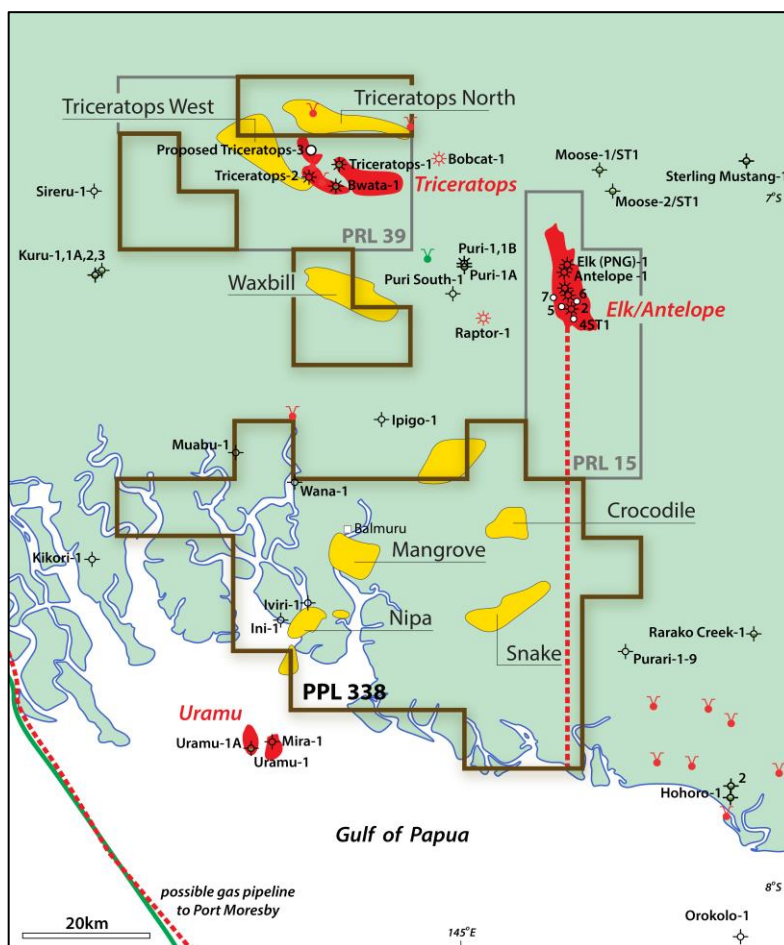
Triceratops is a large mid to late Miocene feature which has been overthrust by imbricates of basinal Puri carbonate and Eocene to Cretaceous basinal clastics from the north. Triceratops North and Triceratops West remain very attractive targets which are controlled by down to the north and west faults that pre-date the Plio-Pleistocene thrusts. Triceratops like Antelope has been uplifted by the Plio-Pleistocene thrusting and exactly how Triceratops ties into Antelope is not yet clear.

The Antelope gas reservoir is a carbonate that grew close to the plate margin in the early to mid-Miocene. It has not only been affected by Plio-Pleistocene thrusting but also by movements on the Aure Fault. The Bevan, Aure and Purari Faults have all uplifted the Early Miocene carbonates to the north east of PPL 338. The Antelope carbonate appears to grow on a block bounded by the Kuku Fault to the south west. These three faults merge to the south and act to separate and uplift the Kalangar and associated structures in PPL 339.

Antelope and Triceratops are separated from the Uramu Gas Field and the Nipa, Mangrove and Crocodile Prospects by the Kuku Fault. The reprocessed seismic data from PPLs 338 and 339 suggests a structural trend running from Uramu northeasterly to Crocodile which is cut by a series of down to the north faults that trend east west across PPL 338 bisecting a number of the prospects. The seismic grid is far too sparse to map the prospects with any degree of confidence and as soon as the APPLs are offered Kina intends acquiring gravity gradiometry data over all its retained area tying in the prospects into Triceratops, Antelope and Kalangar highs. Acquisition of this data will form part of Kina's farmout package for PPL 338 and will help define structural architecture prior to seismic acquisition over the prospects high graded by the gravity gradiometry survey.

A map of the PPL 338 licence area appears on the following page.

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.

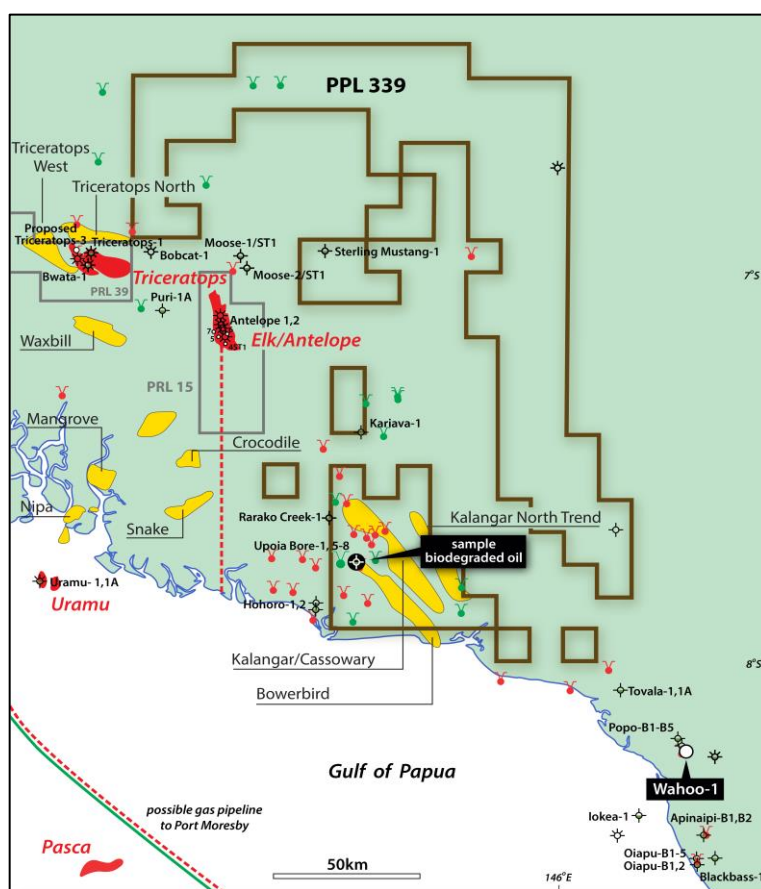
The focus of the JV's extension strategy has been retention of the Kalangar Prospect which is located in the western portion of PPL 339, approximately 80km south and along trend from Antelope. Reprocessed seismic lines within PPL 339 demonstrate a large uplifted basement feature at Kalangar which may have acted as a barrier reef setting separating the early to middle Miocene Aure Trough to the north east and the mid to late Miocene trough to the south west. Plio-Pleistocene uplift and convergence of the Aure, Bevan and Kuku Faults complicates the seismic interpretation at Kalangar but a significant change in regional dip seen on what has been interpreted as mid Miocene carbonate lithologies suggest that Kalangar may be on a fringing barrier reef trend running from the north flank of Antelope south to Kalangar.

Equally Kalangar may tie in across the Bevan/Kuku faults into the Mangrove/Uramu barrier reef to the west. Acquisition of proposed gravity gradiometry data in the adjacent PPL 338 licence will help resolve this uncertainty.

With the licence extension process on-going, the timing of the Kalangar well will be reviewed to determine the optimal window for drilling.

Kina believes Kalangar is prospective but in keeping with its philosophy of farming out exploration obligations it intends to farm out part of its licence interest.

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 accepted by the DPE and Kina now awaits Ministerial determination.

Lizard Prospect is an attractive carbonate target and is accessible from Port Moresby by road. Lizard lies on an interpreted barrier reef system that separates mid Miocene clastics to the east and upper Miocene clastics/volcanics to the west. Kina's seismic interpretation suggests that Lizard, Wahoo and Kalangar faults link up in an en-echelon fashion which isolates mid Miocene sediments to the north and east.

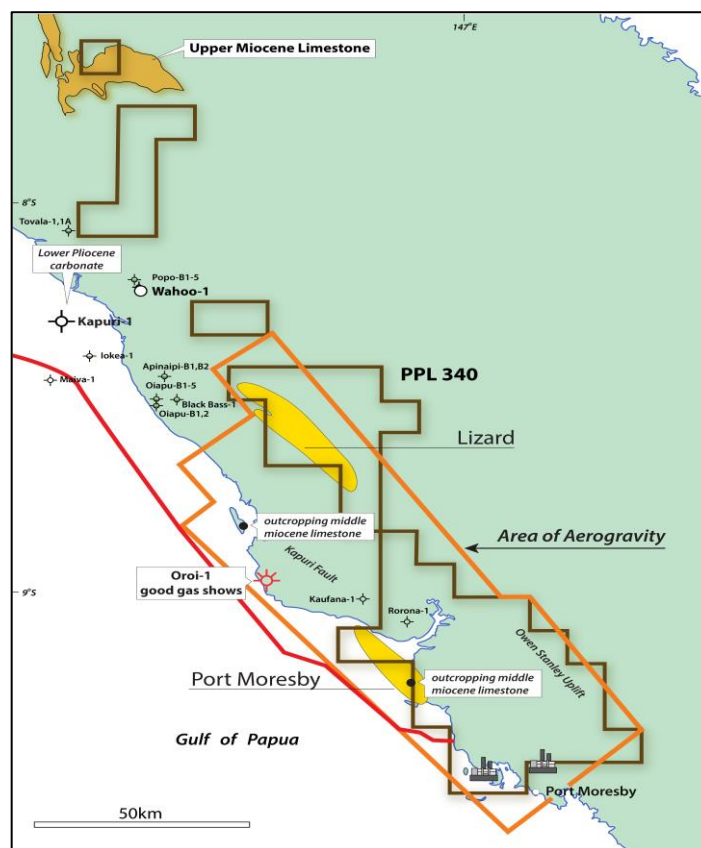
The Dude and the Tauri Faults appear to be offset to the east to link in with the Owen Stanley uplift. This uplift effectively defines the eastern limit of the mid Miocene troughs with the highest points of the mid Miocene barrier reef system outcropping just north of Port Moresby at Lea Lea.

Lizard Prospect is large and cost effective to test of a mid Miocene reef. Seismic acquisition costs have been calculated as low as \$20,000/km and drilling costs based on recent discussions with PNG based service companies suggest a stand-alone well would be significantly less than US\$15 million.

Lizard is located very close to the LNG export infrastructure but is large enough to support a stand alone development. Lizard is up dip of Tovala 1 and Wahoo 1 and should access thermogenic source rocks located proximal to Tovala 1.

Kina will commence farm out discussions shortly with a view to commencing seismic operations in PPL 340 as soon as the licence is extended.

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 and the Fly Platform.

As was reported last quarter Kina has been focussed on establishing the architecture and drainage system prevailing out of the potential hydrocarbon kitchens that may be operating in the south west of the Papuan Basin. Structural movements post end Cretaceous through to mid-Miocene have established an area conducive to establishment of trap forming structures with faults throwing down to the southwest ideal 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.

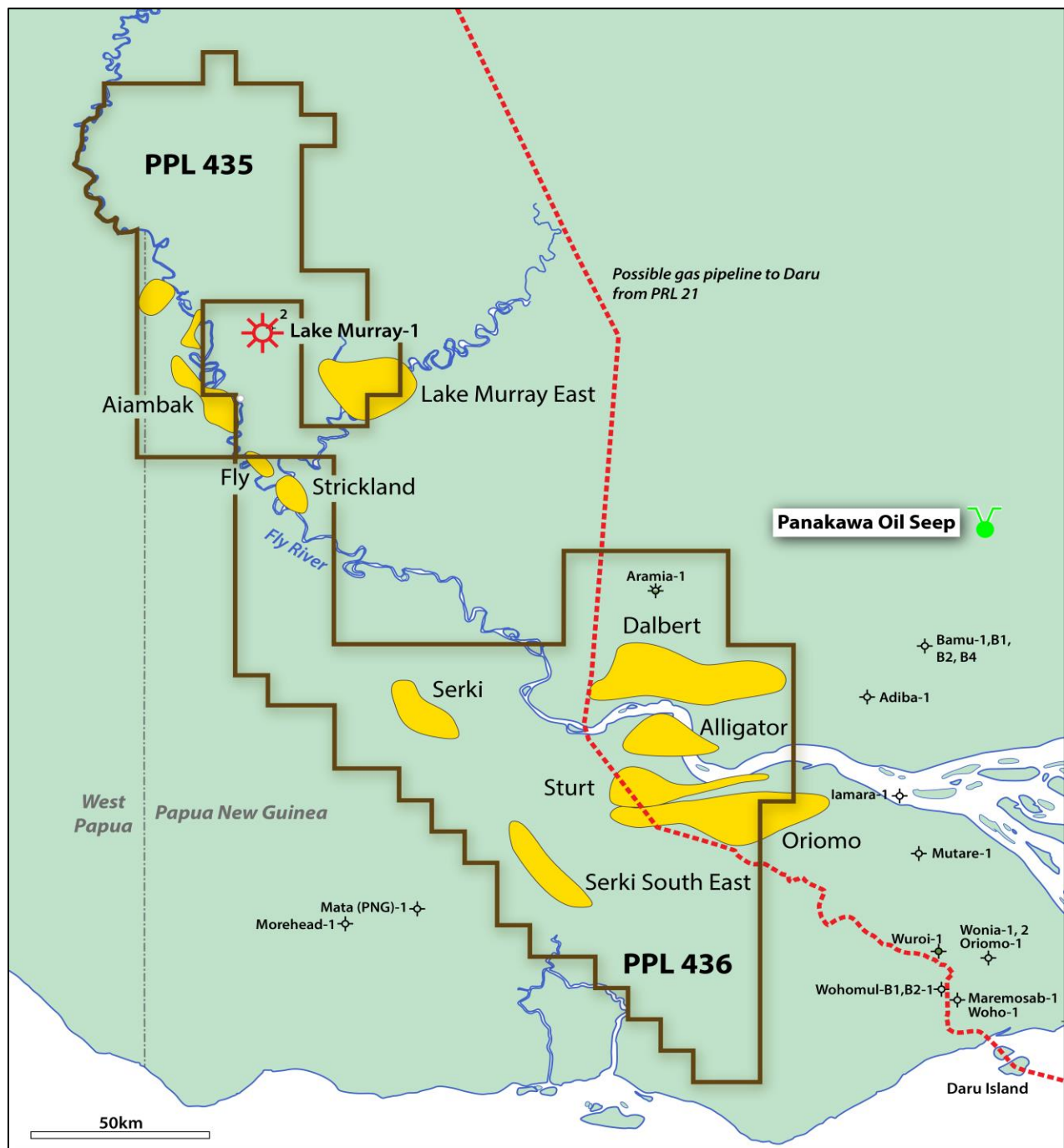
Detailed time structure and time interval mapping is underway to establish ranking of the prospect and leads recognised in PPL 435 and 436. As mentioned last quarter reservoir presence is not believed to be high risk based on the interpretation of the reprocessed seismic data but seal and access to charge are yet to be determined.

The depth to exploration objective is relatively shallow and can be drilled by the slim hole rigs being evaluated for Lizard. Seismic acquisition will be necessary prior to drilling and PPL 435 and 436 and the seismic programs will form part of the boutique crew program that will commence in PPL's 340 and 338 in the east. The seismic and drilling activities will form part of KPL's farmout effort.

In late December, Kina received approval from the Department of Petroleum and Energy to defer its seismic acquisition commitments to the final two years of the licence (calendar years 2017 & 2018), this scheduling dove-tailing neatly with the timing of farmout plans.

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

Map of PPL 435 & 436 Licence Area



PPL 437 (KPL Interest: 57.5%)

PPL 437 is located in the Western Province of PNG, immediately north of PRL 21 (Ketu-Elevala) and south of Hides, Muruk, Juha and P'nyang.

Primary hydrocarbon objective in the western Province is the Toro Sandstone and where present the Elevala Sandstone which is below the Tertiary carbonates that form the primary objective and the proven hydrocarbon play in PPLs 338, 339 and 340.

There was significant drilling activity near PPL 437 during the December quarter. The Muruk 1 well (in PPL 402) reached its Toro objective and has proved to be a significant gas discovery. The Strickland 2 well (in PPL 269, adjacent to PPL 437) tested a valid carbonate closure which was dry, while Strickland 1 failed to reach its Toro objective due to complex faulting at the leading edge of the thrust. Both Strickland wells were plugged and abandoned.

It is likely that Western Province gas will come more into focus with further drilling at P'nyang and the recent discovery at Muruk. The size and location of Muruk could well influence development decisions relating to a wide range of existing Western Province resources, significantly increasing the potential for some form of Western Province aggregation project.

Furthermore the announcement by Kumul Petroleum Holdings Limited at the 14th PNG Mining and Petroleum Investment Conference of its intent to establish a pipeline from Western Province through PPL 437 to the east is very positive for PPL 437.

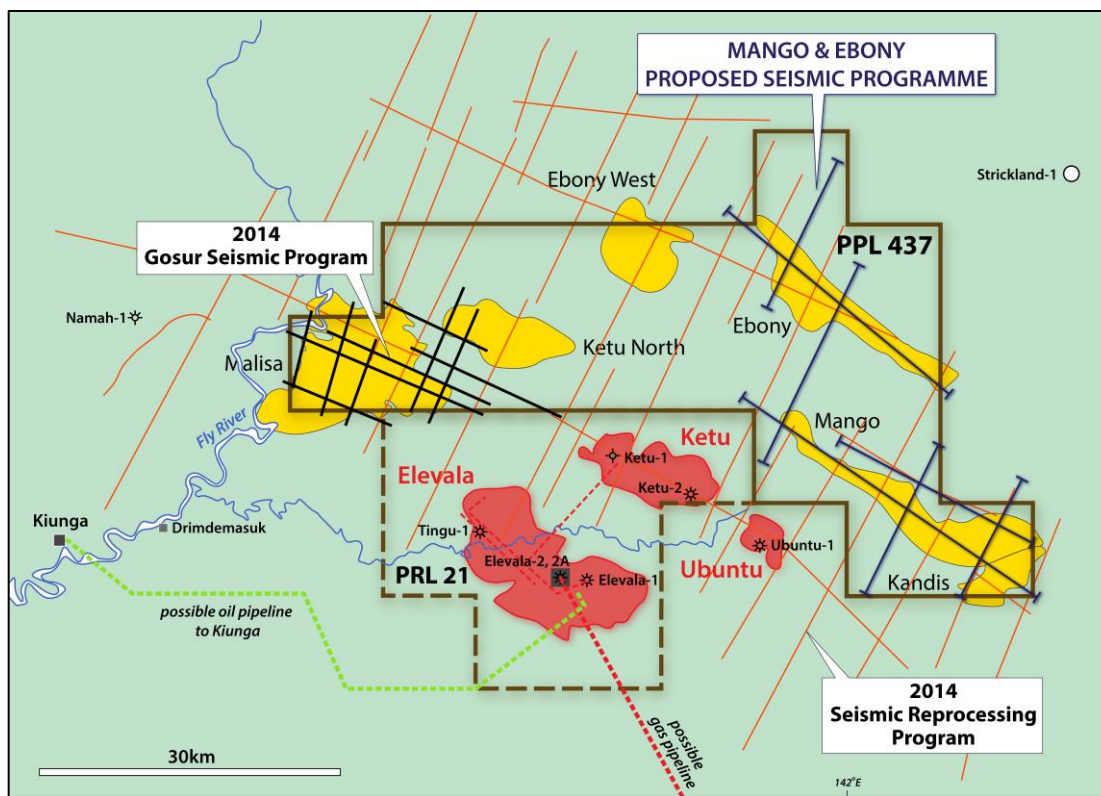
Within PPL 437 the Malisa Prospect which is along trend from Elevala, is drill ready but because it extends into neighbouring PPL 259 it will ultimately become a joint well with the PPL 259 JV and drilling of Malisa is unlikely to take place until infrastructure is established and exploration risk can be shared with PPL 259.

While the Malisa prospect is drill ready, other Elevala and Toro exploration targets are recognised in PPL 437 to the east. The Ebony and Mango Leads offer large wet gas potential and lie under the proposed route of a pipeline to Port Moresby. As mentioned in the September 2016 quarterly report Ebony is a Ketu lookalike and Mango is very similar to Elevala with both leads proximal to P'nyang and Elevala/Ketu. Any form of aggregated project will upgrade the attractiveness of these significant leads.

Seismic acquisition is required to mature these leads and would be acquired in 2017/18 as part of a multi-licence farm out program.

A map of the PPL 437 licence area appears on the following page.

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

30 151 201 704

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(406)	(1,542)
(b) development	(69)	(358)
(c) production	-	-
(d) staff costs	(95)	(435)
(e) administration and corporate costs	(169)	(784)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	4
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	(741)	(3,118)

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (12 months) \$US'000
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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 (12 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	7,920	10,343
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(741)	(3,118)
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	(33)	(79)
4.6	Cash and cash equivalents at end of period	7,146	7,146

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	7,146	7,920
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)	7,146	7,920

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	15
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 <i>Add notes as necessary for an understanding of the position</i>	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	290
9.2 Development	90
9.3 Production	-
9.4 Staff costs	115
9.5 Administration and corporate costs	150
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	645

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:

(Director)

Date: 31 January 2017

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.