



A company registered in British Virgin Islands

30 June, 2020

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD: 1st April 2020 to 30th June 2020

Kina is awaiting advice on its request of suspension of all work obligations for all its operated licences from PNG Department of Petroleum and Energy (DPE) in view of the State of Emergency in PNG and continued imposition of travel restrictions into the country because of the Covid-19 crisis. Just as in Australia the number of cases continues to rise and at this point in time there is no sign of when restrictions currently being imposed by both governments will be lifted

Highlights and Summary for the Quarter:

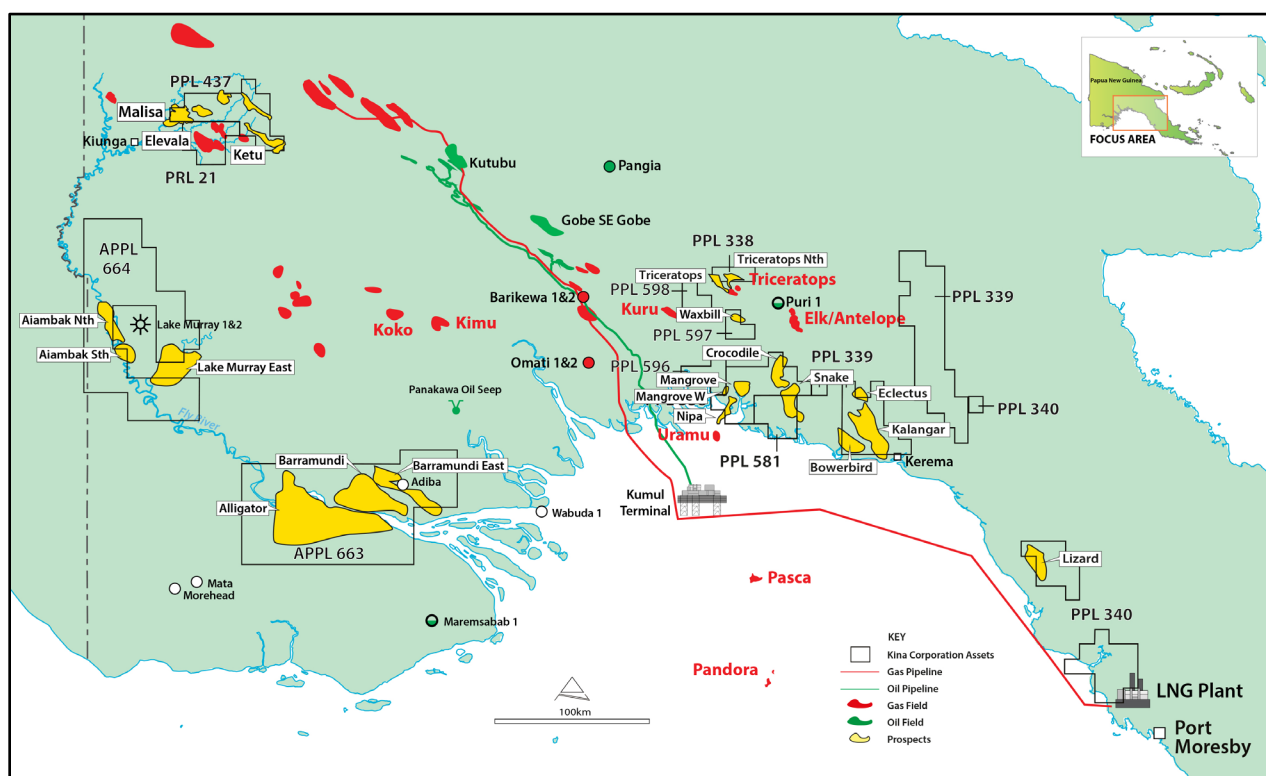
- **PRL 21** – JV work is currently suspended pending advice of the DPE on our Petroleum Development Application. Cost effective development of the liquids rich gas field at Elevala Ketu remains our primary focus.
- **PPLs 338, 581, 596, 597 & 598** – KPE has focused its work on the Mangrove Snake Cluster (MSC) and is very encouraged by the results of our analysis. As stated last quarter these prospects stand up to technical and commercial analysis even at current low oil prices. Field work is suspended due to Covid-19 crisis, but the MSC will be our primary exploration focus once activities resume.
- **PPL 339** – The licence is on care and maintenance with field work suspended due to Covid-19 restrictions however the farm out to Santos has received government approval which relieves KPE of future exploration costs in this relatively high cost operating environment and tops up our cash position with an amount of US1.48m comprising some cash and reimbursement of recent costs.
- **PPL 340** – The phase 2 soil gas survey has downgraded the Lizard Prospect. Interpretation of seismic and gravity data integrated with our regional data has shown there is a higher than acceptable risk of failure for the Lizard prospect, and commercial studies do not support the drilling of a well. As part of its cost cutting strategy Kina is preparing a surrender report for the licence.
- **APPL 663 & 664** – Alligator, Barramundi, Lake Murray East, and Aiambak are significant to large oil and gas prospects in former PPLs 436 and PPL 435. Kina had requested the DPE to merge the areas and made an application to surrender the existing licences and a new single licence to be granted. The request was refused but two new licence applications have been lodged for APPLs 663 and 664 over a smaller but prospect focussed area.

- **PPL 437** – Malisa Prospect is ready to drill. Consistent with our strategy of spreading risk and conserving cash Kina is in negotiation with potential farminees to farm out the licence. In response to the low oil and gas prices we are also renegotiating our work commitments in the licence. Proposed field work has been suspended due to the Covid-19 crisis, and Kina has requested a suspension of obligations.

Company, PNG and Industry Outlook

Kina Petroleum Corporation (ASX: KPE) has, at the end of this period, a participating interest in Petroleum Retention Licence (“PRL”) 21 and in eight exploration licences (“PPLs”) across PNG. Kina’s applications for APPLs 663 and 664 covering a reduced area of south west PNG have been gazetted and are undergoing DPE review.

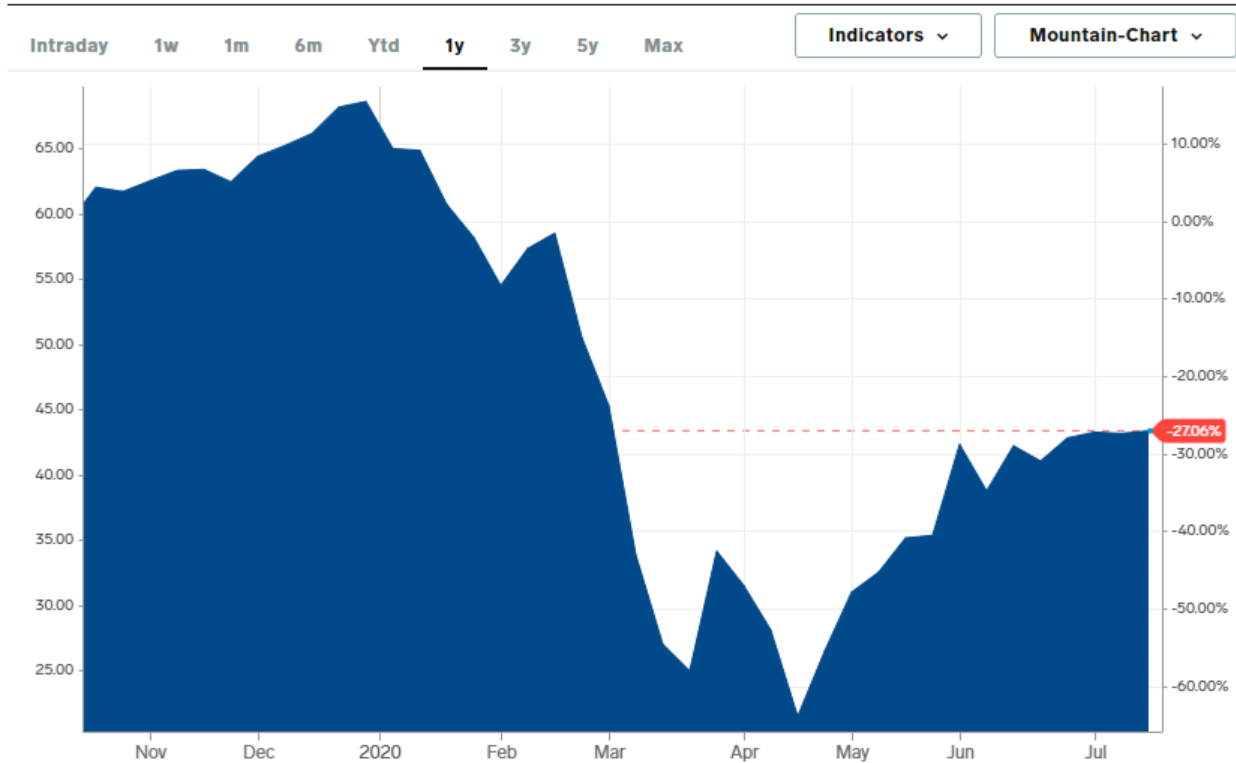
Map of KPL’s licence areas



Overview of the Current Global Oil and Gas Industry Environment

The Covid-19 pandemic has had a devastating impact on the global economy and energy demand. Economic uncertainty and oversupply of oil and gas have introduced unprecedented pricing and volatility in the

marketplace. Kina has no production but has a significant certified resource in PRL 21 with Kina's share being 8.4 million barrels of liquids and 168 billion cubic feet of gas. Although Kina has debt it has no debt has had the ability to cut its cost base and has rationalised its asset base.



Effective January 2020 the Brent oil price dropped from US\$60/bbl to currently less than US\$15/bbl in April but has now recovered to US\$43/bbl but it is still 27% less than the end of last year. All producing companies are taking impairments due to lower cash flow, high debt and the dire state of the industry. Majors have dropped medium to long term oil price forecasts from US\$70/bbl to US\$55/bbl and consequently many marginal and smaller fields and producers (particularly those in the shale end of business) will not survive. M&A activity is likely to increase and with it, rationalisation of the industry which will see production cuts and job losses but greater efficiency and ultimately higher oil price.

Gas prices are linked to oil prices and over the short-term gas production is likely to fall as many green field projects are delayed or moth-balled and as environmental opposition builds to low deliverability high intensity projects in the developed world. Looking out beyond to 2022/23, lower oil and gas production and the economic recovery post Covid-19 will bring pressure to bear on prices and Kina believes it will open up opportunity for high deliverability and relatively low cost new field developments like its PRL21 discoveries in PNG.

Kina's survival strategy is to ensure that the company is well placed to take advantage of the upswing in confidence that will accompany the improved outlook post 2022. KPE is not in production but we have no

debt and our balance sheet is not directly impacted by current low oil and gas prices. Kina is focussed on cash preservation and cost cutting and has made significant cuts to staff, overheads and office costs. KPE has also consolidated its offices and now has its primary office in Port Moresby.

For this reason, we remain bullish particularly for the future development in PRL21. The Development Plan has been submitted to the DPE effective 2015 and remains under consideration for approval by the DPE.

PRL 21 (KPL interest 16.75%)

We await advice from the DPE on the PDL 12 development Plan. The field contains Kina 48 million barrels and 1 trillion cubic feet, net 8.4 million barrels and 168 bcf gas to Kina.

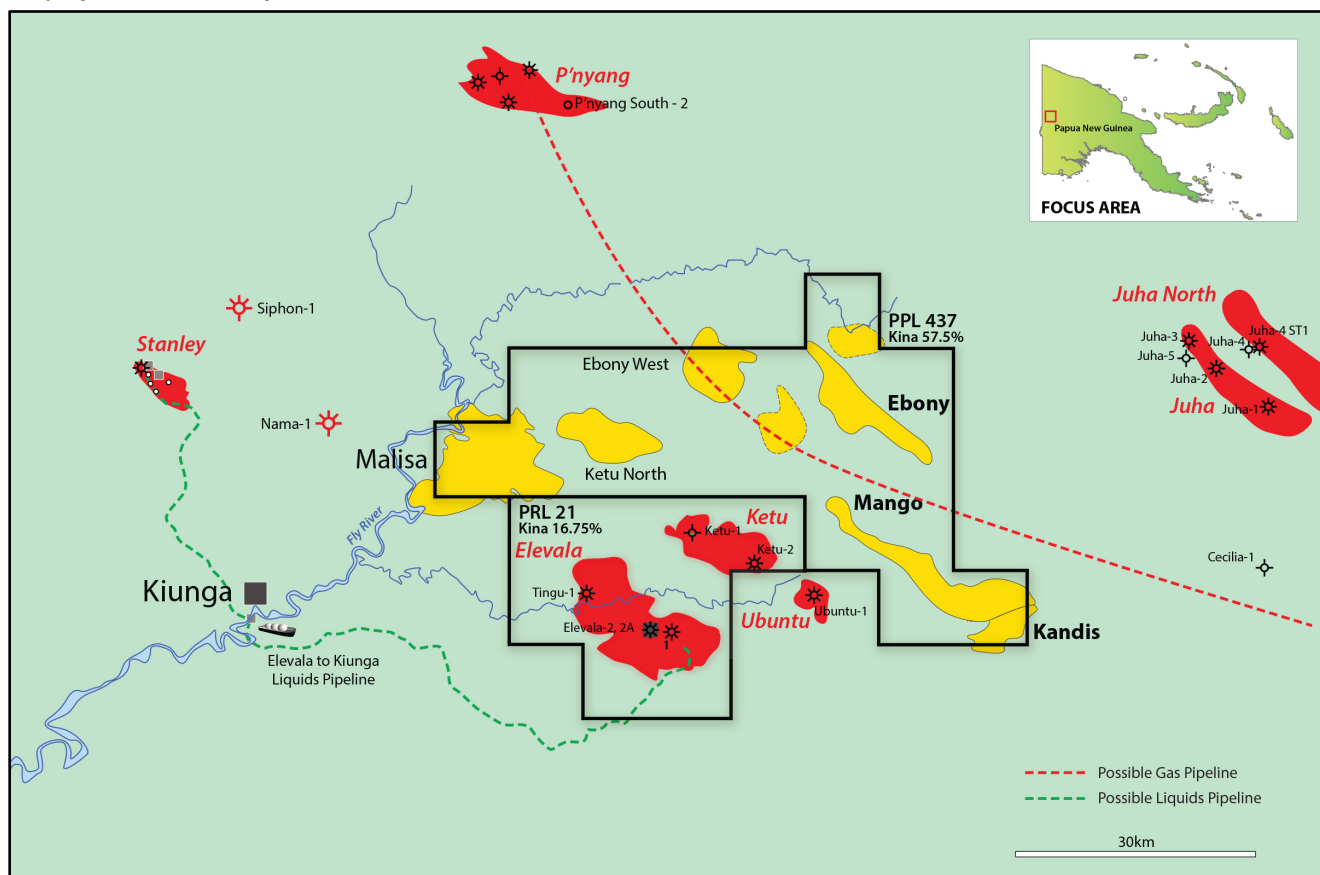
KPE views last quarter's sale of the Repsol assets to Arran Energy Pty Limited ("Arran Energy") as a positive for our own development plans in PRL 21 because APDL 10 (Stanley Field) and PRL21 are similar in that they both propose using the Fly River to reduce construction and export costs and because the management of KPE and Arran Energy are aligned in terms of the optimal way to develop these fields. Furthermore, the PRL 21 Joint Venture is now showing greater cohesion in terms of cost control and potential development options.



The Duobi Port on Fly River south of Kiunga

KPE has completed its own Plan of Development using approaches similar to those likely to be adopted for APDL 10 and we continue to review further cost savings by fine tuning development options at oil prices ranging from US\$45 to US\$65/bbl.

Map of PRL 21 and adjacent PPL 437 licence areas



PPLs 338, 581, 596, 597 and 598 (KPL Interest: 100%)

This area contains our most mature and best understood exploration assets. Kina has identified 5 significant prospects Nipa, Mangrove, Mangrove West, Snake, and Crocodile in the Mangrove Snake Cluster (“MSC”) located on the coast in Gulf Province only 285km from Port Moresby.

Nipa, Mangrove, Mangrove West, Snake and Crocodile are located in PPL 338; Mangrove West extends into PPL 596 and Snake extends south into PPL 581. They are all carbonate and possibly reef targets similar to Antelope Field.

Nipa is a fault bounded feature up dip and along trend of the Uramu reef gas discovery. Nipa structure extends offshore outside PPL 338 towards the Uramu discovery. Mangrove and Nipa are independent structures separated by a small graben. Iviri 1 which was drilled in 1965 was located on the east bank of the Iviri Inlet and KPE interprets the well drilled off the Nipa crest into this graben. Previously we had mapped Mangrove up dip of Ini and extending into PPL 596 but now see Mangrove as an independent feature and Mangrove West located on the boundary of PPLs 596 and 388.

Depth to the crest of each structure and possible closure is summarised in the table below. Mangrove is a particularly prominent fault bounded feature which was highlighted by reprocessing the Port Romilly seismic line acquired in the 1966. Mangrove demonstrates pre-requisites of early structuring and reactivated more recent structuring conducive to reef development in the Miocene.

Prospect	Top Reservoir	Closure
	m	m
Nipa	1786	125
Mangrove	1540	400
Mangrove West	1892	100
Snake	2126	300
Crocodile	2650	120

The MSC remains a highly attractive group of structural prospects over which carbonate reefs could have developed between the Uramu 1 reef discovery to the south west and the giant Elk Antelope reef discovery to the north east.

Recent technical work using our now integrated gravity data set has helped KPE to better understand the structural setting of each of its prospects and has allowed us to merge Snake North and Snake South into 1 prospect. Furthermore, our improved understanding of the structural history of this area suggests that Snake and Mangrove Prospects have undergone similar structural histories both being located on old basement features and both reactivated in the Miocene. We believe they display a number of characteristics similar to the Antelope reef discovery and we are reinvestigating the seismic data to better understand when and how these reef systems may have evolved.

The attractiveness of the MSC is further enhanced by its location on the coastline of Gulf Province. The prospects have good access to the coast via the Port Romilly estuary and Purari Rivers with Nipa and Mangrove located on the eastern bank of the estuary and Snake and Crocodile located on the west bank of the Purari River. Ease of access significantly improves their attractiveness by reducing operating, drilling and development costs to levels very much lower than those for the Elk Antelope Field or the offshore Uramu Field.

Waxbill is a structural lead in PPL 597 and is interpreted to lie on the up thrown side of the Era Fault up dip and along trend from Raptor 1 drilled in 2014. Raptor 1 drilled to a depth of 4,032m (MD) and recorded gas and condensate at surface from an open hole interval of 330 metres which included around 200 metres of Kapau limestone. In 2015 InterOil advised results from the well supported the presence of a multi-hundred meter hydrocarbon column and indicated a highly fractured reservoir. KPE maps Waxbill at a depth of 2100m with a probable height of closure of 200m and considers it worthy of further work. Unfortunately, Waxbill is more remote than MSC and rugged terrain will make drilling and development costs higher than those in PPL 338.

Triceratops North and Triceratops West lie in the northern part of PPL 338 on the up thrown side of the Kereru Fault. They are located on a ledge or shelf that has been caught up in tectonism associated with uplift of the fold belt. Triceratops West is very shallow and most likely breached at surface, but Triceratops

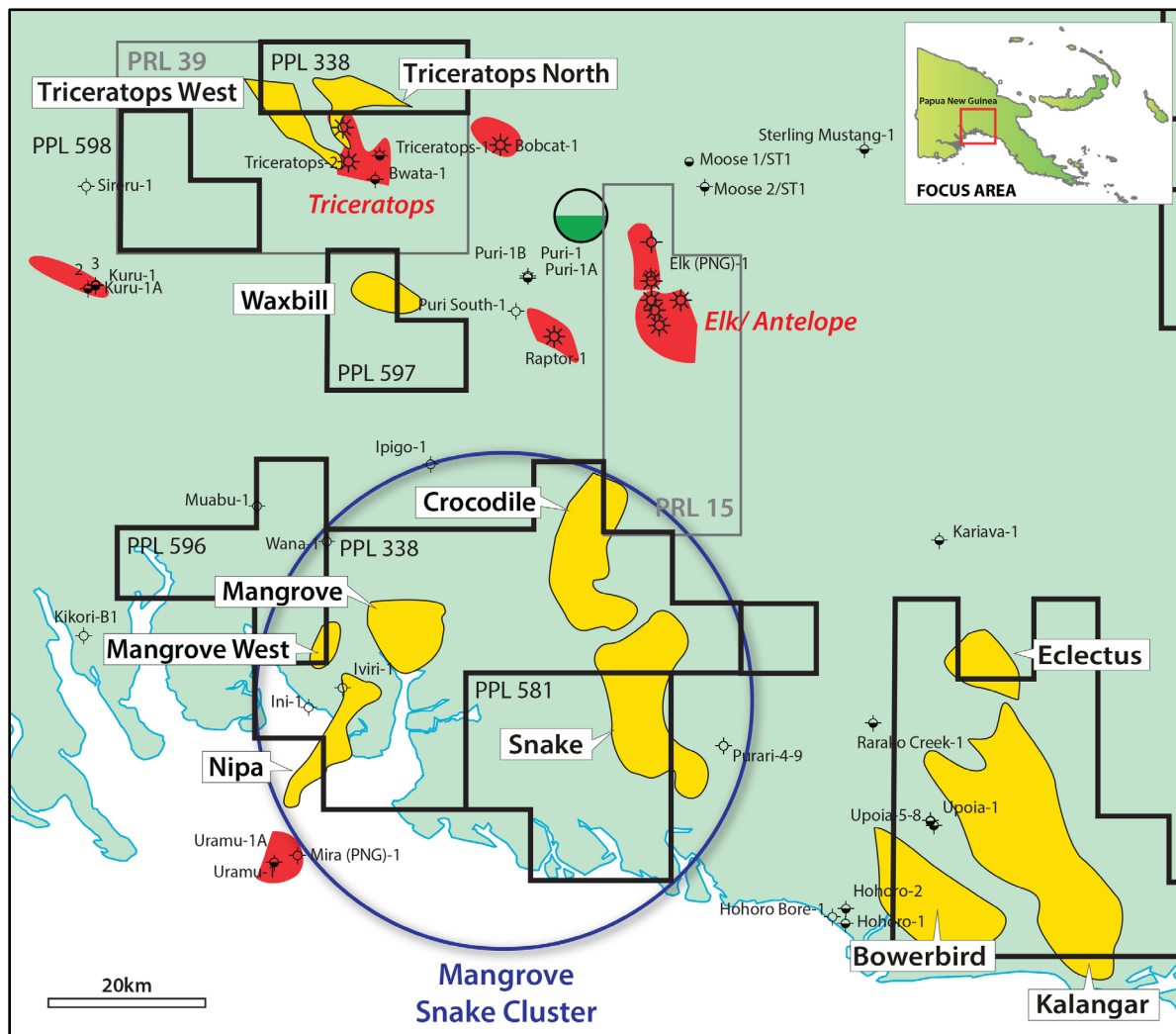
North is on the footwall of the main thrust fault and can be interpreted to be part of the Triceratops 3 closure. Triceratops 3 tested hydrocarbons at surface but like Waxbill surface terrain over Triceratops North is very rugged where surface elevations climb rapidly. Drilling costs for Triceratops North are likely to be very high.

Kina has completed its technical analysis of its prospects and leads and has engaged consultants to assess potential resource estimations for the inventory.

Kina is investigating the suitability of soil gas geochemical technology to help mature MSC in advance of seismic acquisition.

Kina owns 100% of these licences and considers them very attractive exploration assets which will add considerable value once confidence returns to our industry. But for the immediate short-term Kina has sought a suspension of its work obligations in these licences in view of the declared State of Emergency in PNG and imposition of travel restrictions into the country because of the Covid-19 crisis.

Map of the PPL 338, 581, PPL 596, 597 and 598 licence areas



PPL 339 (KPL Interest: 10 %*)

The licence was extended for a further 5 years effective 31 October 2019. Integrated gravity and seismic data support the presence of very large structural features at both Kalangar/Eclectus (K/E) and Bowerbird. K/E and Bowerbird remain Kina's highest ranked leads in PPL 339 and the prospects lie along a structural ledge that extends north westerly towards Antelope. Bowerbird may be similar to Antelope but the terrain and complexity of the structure significantly increase the cost to mature the prospect and the subsequent development costs in the event of a discovery.

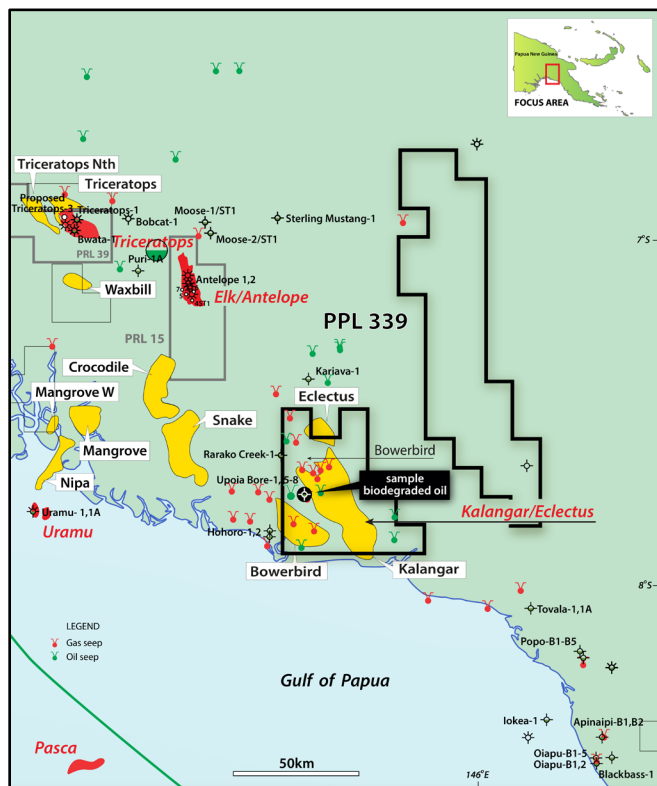
Because of the lower oil price environment post 2015 and the high cost of exploration and development in PPL 339 KPE elected to farm out its forward going exploration obligations in the licence.

During the quarter Kina received Ministerial approval for our farm out to Santos. Santos will carry KPE through its forward work obligations up to a cap of US\$9m. The farm out arrangement includes a cash payment and some reimbursement of sunk costs totalling US\$1.48m. Kina will retain a residual (10%) participating interest in the licence at the time of drilling the first well with that 10% share fully carried, up to an agreed amount, pursuant to its pre-existing farm out agreement with Oil Search.

However, for the present Oil Search has sought a suspension of its work obligations in these licences in view of the declared State of Emergency in PNG and imposition of travel restrictions into the country because of the Covid-19 crisis.

*subject to farm out agreement with Santos

Map of PPL 339 Licence Area



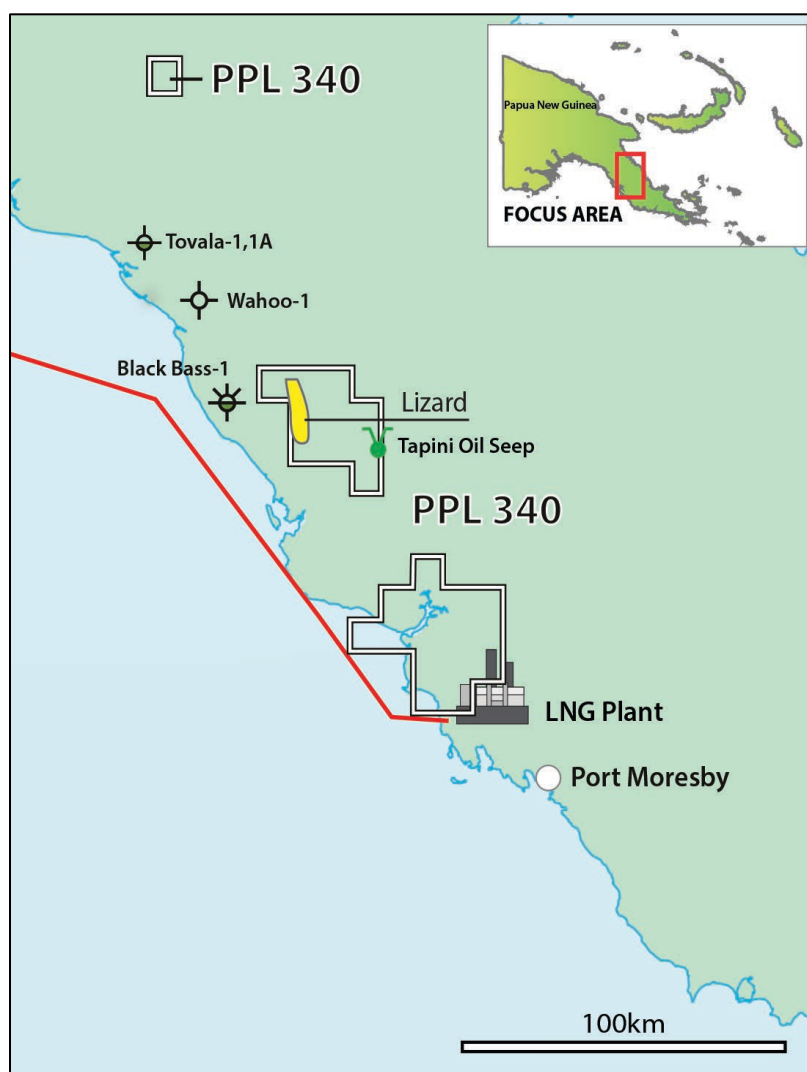
PPL 340 (KPL Interest: 100%)

As reported last quarter KPE has downgraded this licence.

The prevailing low oil prices have forced Kina to make some hard decisions in respect to its exploration portfolio and because retaining exploration acreage comes at a cost, KPE of necessity has ranked its exploration inventory in terms of risk, potential resource size, cost of exploration and development.

Areas of high risk and/or high cost have been culled for farm out or surrender. Unlike PPL 339 the farm out effort for Lizard Prospect in PPL 340 has been unsuccessful and KPE is preparing a relinquishment report for the licence.

Map of PPL 340 licence area



PPL 435 and 436 (APPL 663 & 664) (KPL Interest: 100%)

As previously advised Kina recognises several large structural leads and prospects located along the Fly River. The river is controlled by an underlying fault system which Kina believes established a structural setting conducive to prospect generation for Mesozoic sandstones sealed by early Cretaceous shales on the Fly Platform.

Kina has used its gravity and seismic data set to constrain the best structures along the Fly River fault trend and has submitted new applications over Alligator, Barramundi, Lake Murray East and Aiambak Prospects.

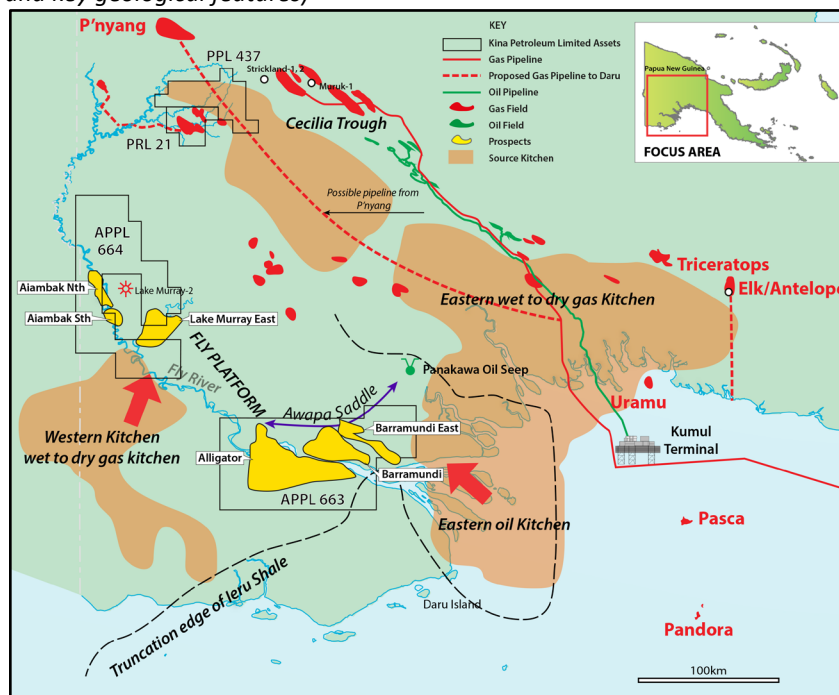
The new licences are smaller than the previous areas held by the company and these applications are consistent with our strategy to remain focussed on areas with identified targets and to have manageable and fit for purpose work programs going forward.

The retained areas are low lying and have good access via the Fly River. The recognised prospects are broad features covering large areas but the paucity of existing seismic control requires a significant pre-investment in seismic acquisition before a well can be drilled.

Fortunately previous workers have demonstrated that there is a surface soil gas geochemical response in areas near Lake Murray 1 and the Aiambak Prospect on the Fly Platform. In 2018 and 2019 KPE completed 2 pilot surface geochemical sampling surveys over the Lizard Prospect in PPL 340. KPE was satisfied that the results from these surveys were geologically meaningful and believes the technique has merit as a means of high grading seismic line location in Western Province.

The revised work programs which have been submitted for our new licences include soil gas geochemical sampling over the major prospects in an effort to optimise future seismic line location and reduce costs.

Map of the PPL 435 & 436 (APPL 663 & 664) licence areas (showing proximity to forelands, discovered Western Province resources and key geological features)



PPL 437 (KPL Interest: 57.5%)

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

Malisa is drill ready and Kina has engaged with potential farminees.

Malisa Prospect remains an attractive wet gas target northwest of the Ketu discovery and could contain a resource equivalent to the Elevala and Ketu Fields. Malisa is close to a barge point and is suitable for a road transportable drilling operation. Malisa is only 44km from Kiunga and in the event of success a low-cost development plan could be applied to develop a discovery at Malisa like the plan Kina is proposing for PRL 21.

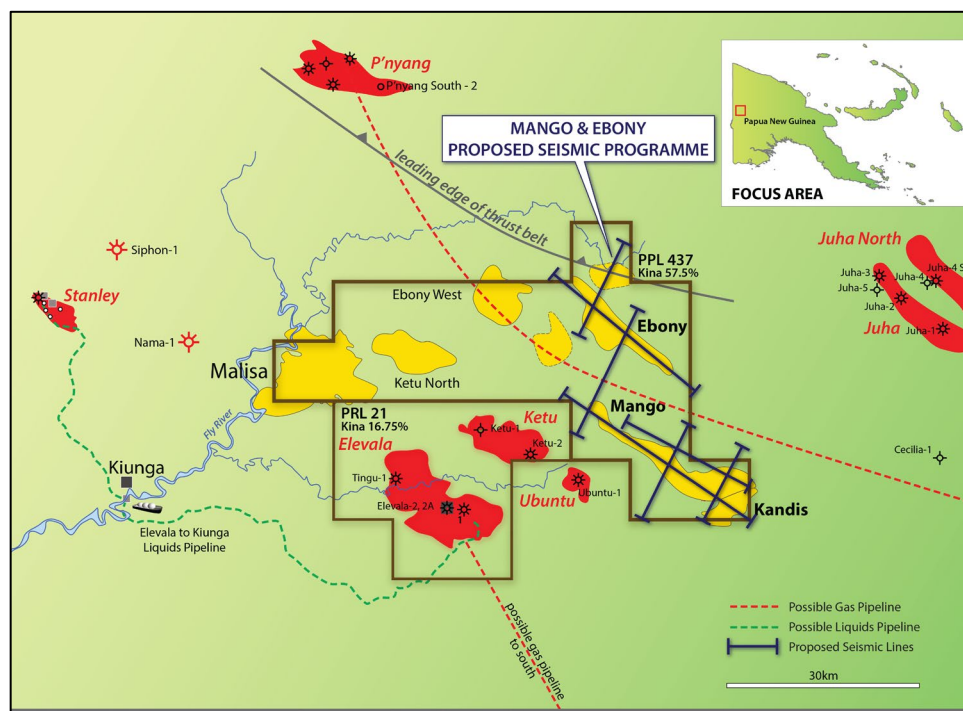
To the east of the licence Ebony and Mango Prospects require additional seismic control to confirm their trap integrity.

Kina is in discussion with potential farminees, but these negotiations have been suspended in view of restrictions imposed by the Covid-19 pandemic.

Kina has sought a suspension of all work obligations for PPL 437 from the DPE in view of the declared State of Emergency in PNG and imposition of travel restrictions into the country because of the Covid -19 crisis.

Kina has also filed for an extension of the licence.

Map of the PPL 437 Licence Area (with PRL 21 immediately to the south)



Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Kina Petroleum Corporation

ABN

30 151 201 704

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(305)	(586)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(94)	(206)
	(e) administration and corporate costs	(48)	(183)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(447)	(975)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
	(d) exploration & evaluation (if capitalised)		-
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) 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 equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (3 months) \$US'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,255	1,783
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(447)	(528)
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	-	-
4.6	Cash and cash equivalents at end of period	809	1,255

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	809	1,255
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)	809	1,255

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$US'000
-
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Non-Executive Directors Fees

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end	-	
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(447)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(447)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	809
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	809
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.81
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: YES	
	2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: YES. The PPL 339 farm out agreement with Santos Limited has settled in July with US\$1.48m cash deposited.	

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: YES. Additional funds have been banked in July with additional cost savings also implemented to reduce quarterly costs below US\$0.35m

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.

Date: 30th July 2020



Authorised by:

Richard Schroder
CEO and Managing Director

Authorised for release by the board.

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.