



**KINA PETROLEUM LIMITED**  
**ANNUAL REPORT**

COMPANY NO. 1-63551 ARBN 151 201 704

FOR THE YEAR ENDED 31 DECEMBER 2015

## DIRECTORS' REPORT

The Directors present their report on the Company and its controlled entities for the year ended 31 December 2015.

### DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

#### **Richard Robinson, Non-Executive Chairman**

Appointed 13 December 2013 Richard has 38 years industry experience, including 28 years in Papua New Guinea. His experience encompasses the management of both project developments and upstream operations and includes periods with a variety of contractors and Operators including ExxonMobil, BP and Oil Search.

He retired from Oil Search in early 2013 after more than 10 years employment with the company, the last three as Executive General Manager – Operations, where he was responsible for all of Oil Search's PNG production and associated drilling operations.

#### **Mr Richard Schroder - Managing Director**

Appointed 1 June 2011, Richard Schroder has a Bachelor of Science degree, majoring in Geophysics, from the University of Sydney. He is experienced in Australian and international oil and gas exploration commencing with Conoco in the North Sea in 1975.

Richard's 30+ years of experience extends to both UK and Norwegian sectors of the North Sea, Africa, Indonesia, PNG, NZ and onshore and offshore Australia. Richard has 20 years of experience as an operator in the lowland and highland jungles of PNG and has managed junior companies such as Sydney Oil Company as well as majors such as Santos in the capacity of Exploration Manager, South East Asia.

Richard has drilled 11 wells in PNG and Papua Province Indonesia, resulting in 1 commercial oil field, and 3 other oil and or gas intersections, and helped pioneer the boutique seismic technology which was responsible for considerable savings and drilling success.

#### **Dr Ila Temu, Non-Executive Director**

Appointed 1 June 2011, Ila achieved a distinguished career with the University of Papua New Guinea, the National Research Institution, the Australian National University and the University of California, Davis USA, where he was awarded his PhD. Ila entered the private sector in 1996 when he was appointed Managing Director, Mineral Resources Company and during 2000 he accepted the appointment as General Manager, Government Relations, Placer Niugini Ltd. Ila is President, PNG Chamber of Mines and Petroleum, Director Corporate Affairs, Australia Pacific, for Barrick PNG, Non-Executive Director Bank South Pacific Limited, Chairman of PNG Ports Corporation, Director Bank of South Pacific Capital Port Moresby and Council Member, Divine Word University.

#### **Barry Tan, Non-Executive Director**

Appointed 1<sup>st</sup> March, 2009 on the formation of Kina Petroleum Limited as the Executive Director, Barry Tan is a naturalised citizen of Papua New Guinea and has spent over 35 years in Papua New Guinea developing and operating various businesses in Papua New Guinea. Barry is currently Chairman of TST Trading, Chairman of the TST Group of Companies that span property development and running supermarket franchises in PNG and also diversified industry through Starland Freezers, Tanpac and Kokoda Tailoring.

## DIRECTORS' REPORT

Barry brings to the Company a wealth of knowledge in understanding the culture of PNG and the most efficient way to run the business. Barry also has a strong network of interpersonal relationships in commerce in PNG through his various associations.

### David Vance, Non-Executive Director

Appointed 6 November 2014, David is a corporate and project finance attorney and CFA charterholder with over 25 years of experience in Asia and the US. As a partner in private practice with two major US law firms, Mr. Vance represented some of the world's largest infrastructure and financial institutions in complex, first-of-its-kind transactions, including numerous "Deals of the Year" for Asia, and was recognized as a leading lawyer for project finance in Japan by an industry publication. He also advised many small and medium size enterprises in a wide range of corporate and financial matters.

Mr. Vance moved in-house to InterOil Corporation and, more recently, Asian Oil & Gas Pte Ltd., an affiliate of PIE Holdings, LP, to focus on upstream oil and gas matters in PNG and other countries. Mr. Vance received an A.B. from Stanford University and his J.D., with honours, from the University of Texas School of Law. He lives in Singapore.

### COMPANY SECRETARY

The Company Secretary as at the end of the financial year and at the date of this report is Mr Peter Impey.

Mr Peter Impey is a Certified Practising Accountant and a full member of The Chartered Institute of Secretaries & Administrators. He holds a Bachelor of Business degree, majoring in Accounting from the University of Southern Queensland and a Graduate Diploma in Fraud Investigation from the Charles Sturt University in NSW.

Peter has worked in an accounting environment for over thirty years, and has worked in a Public Accounting Practice in Papua New Guinea for twelve of the last fifteen years involving preparation of accounts, taxation matters and secretarial responsibilities for companies utilising the registered office.

### PRINCIPAL ACTIVITIES

The principal activities of the consolidated group are to pursue, acquire and develop energy related assets in Papua New Guinea and overseas.

### OPERATING RESULTS

The net loss of the consolidated group after income tax for the year was US\$3,088,936 (2014: US\$3,259,818).

### DIVIDENDS

No dividends have been paid or declared by the consolidated group since the beginning of the year.

### FINANCIAL POSITION

The net assets of the consolidated group at 31 December 2015 were US\$35,706,404 (2014: US\$38,834,218). At 31 December 2015 the Company had a cash balance of US\$10,336,583 (2014: US\$15,416,903).

### STATE OF AFFAIRS

Other than matters detailed in the Review of Operations and Likely Developments, there were no significant changes in the state of affairs of the consolidated group.

## DIRECTORS' REPORT

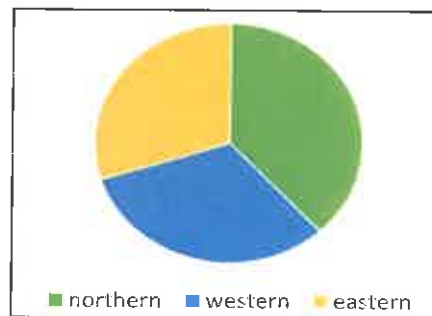
### REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

#### Background

Kina Petroleum Ltd ("Kina", "KPL" or "the Company") was formed in 2009 to participate in the exploration and acquisition of oil and gas assets in PNG, and since its float in late 2011, has raised a total of US\$ 44 million with more than US\$ 10 million cash on hand at the end of 2015. Kina has leveraged its business model to generate a more than three-fold increase of the US\$ 34 million spent, with a total expenditure in its tenements of US\$ 115 million. Gross exploration spend was US\$ 88 million and Kina's share of development expenditure in PRL21 was US\$ 27 million.

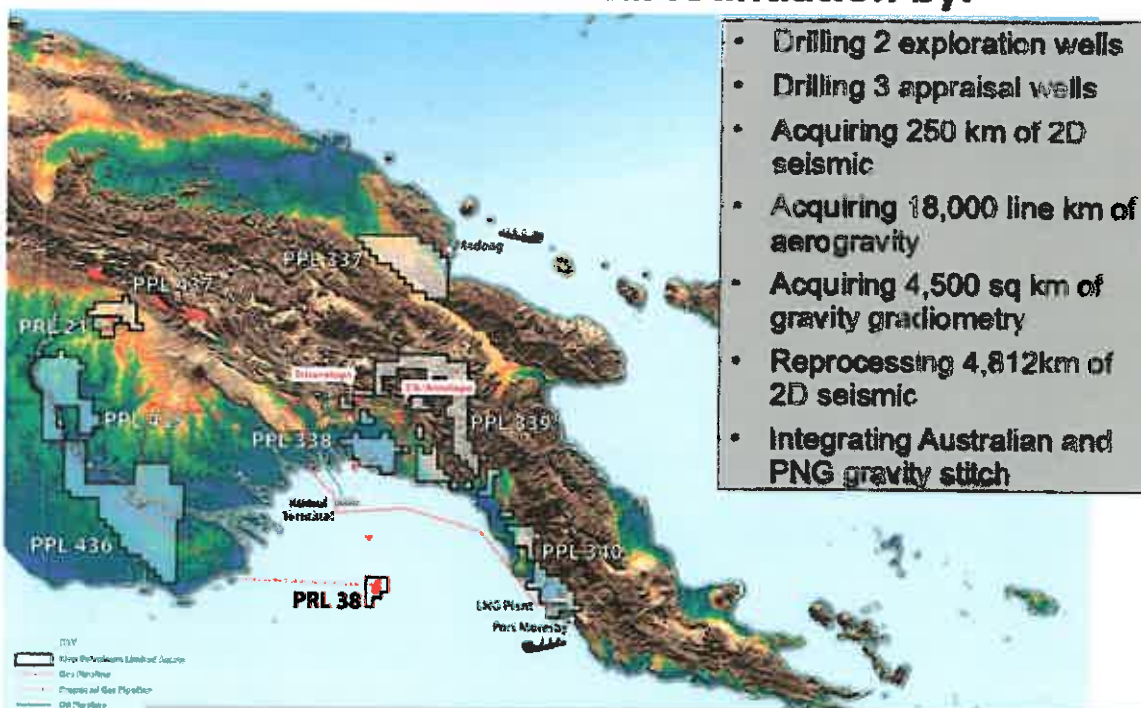
Investment in Kina's licences has been spread evenly across the country:

- North New Guinea – USD 44m (PGK 119m)  
PPL 337
- Western Province – USD 38m (PGK 92m)  
PPLs 435 – 437 & PRL 21
- Eastern Papuan Basin – USD 33m (PGK 82m)  
PPLs 338, 339 & 340



Over the past 5 years Kina has built its data base and in-house knowledge of its assets through drilling 5 wells, acquiring 7 seismic surveys, 3 gravity gradiometry surveys and 2 aeromagnetic and aerogravity surveys.

### Since its float in late 2011 Kina has built its commercial and technical foundation by:



- Drilling 2 exploration wells
- Drilling 3 appraisal wells
- Acquiring 250 km of 2D seismic
- Acquiring 18,000 line km of aerogravity
- Acquiring 4,500 sq km of gravity gradiometry
- Reprocessing 4,812km of 2D seismic
- Integrating Australian and PNG gravity stitch

**The intellectual property gained through this investment gives Kina a country wide perspective for future development and exploration**

## DIRECTORS' REPORT

From 2010 through to the end of 2012, the Company undertook a high level of commercial and exploration activity including entry into farm-in agreements in respect of PPLs 338 & 339, acquisition of seismic surveys, and the successful appraisal of the Elevata and Ketu Gas Condensate Fields in PRL 21. The Company funded these activities through an initial Public Offering of its securities in late 2011 on both the Australian Stock Exchange ("ASX") and the Port Moresby Stock Exchange ("PomSox"), coupled with a further placement of shares and exercise of options in the second half of 2012.

In 2013 the Company materially complemented the preceding years' activities with, among other things, the successful drilling and testing of the Tingu well in PRL 21, the farmout of interests in PPL 337 and PPL 437 licences to Heritage Oil Limited and the commencement of aerogravity surveys in the Western Province licences.

In 2014, the Company built upon these solid foundations via subscription by Mr Phil Mulacek's PIE Holdings LLP for 19.99% of the share capital of the Company, providing enhanced certainty of funding for pre-development and other activity. Additionally, a Petroleum Development Licence Application was lodged for PRL 21, seismic programmes were completed in PRL 21 and PPL 437 (each more than 100 km) and a 12,500 km Aerogravity survey was completed in PPLs 435 & 436.

In 2015, against a backdrop of a significant fall in oil price:

- Two wells were drilled in PPL 337. These were the first in a Kina operated licence and the first in the Madang region for more than 20 years.
- More than 3,300 km of vintage seismic data in PPLs 338, 435 & 436 was re-processed. This will form the basis of prospect and lead assessment for these licences.
- The Malisa South lead in PPL 437 was confirmed as a drillable prospect. The well would be drilled upon recovery of oil price and advancement of development plans in PRL 21.
- Acquisition of an additional 50% participating interest in PPLs 435 & 436 upon the withdrawal of Cott Oil and Gas Limited from the licences. Kina's interest in each licence is now 100%.
- Development work in PRL 21 continued, to allow identification of appropriate scenarios in the current oil price environment.

### Current Environment and Likely Developments

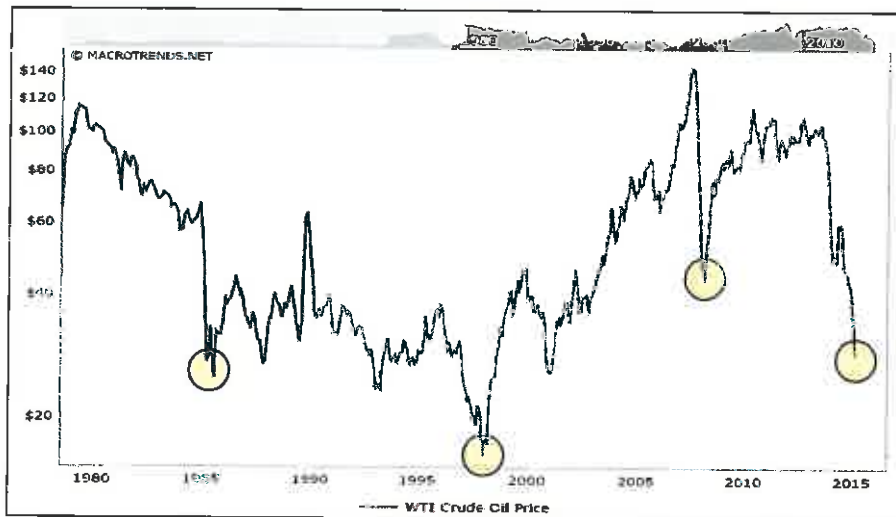
The charts on the following page show oil price, in USD, from 1980 to present expressed firstly in 2016 dollars and then in nominal terms. The first chart highlights the low points in the price cycle over that time and demonstrates that although oil prices are experiencing their fourth major price collapse since 1980 (and although the bottom of this cycle cannot be determined), history shows that they will recover. Kina is determined to manage its business to benefit from the next value accretive phase when the upswing occurs.

The last phase of accretive growth commenced in 1997/98 as PNG was moving from peak oil production and addressing the issue of what to do with its stranded gas resources at Hides and elsewhere.

At that time Oil Search Limited was looking at exporting gas to Queensland, Santos was buying into Hides to prevent that from happening and BP and Chevron were looking at strategies to exit PNG. At about that time, a new industry player, InterOil Corporation, was looking to establish its refining business in Port Moresby and was looking to existing producers in PNG to provide crude for processing. It was during the last early recovery period that both Oil Search and Inter Oil acquired assets that formed the foundation for their present dominant position in PNG.

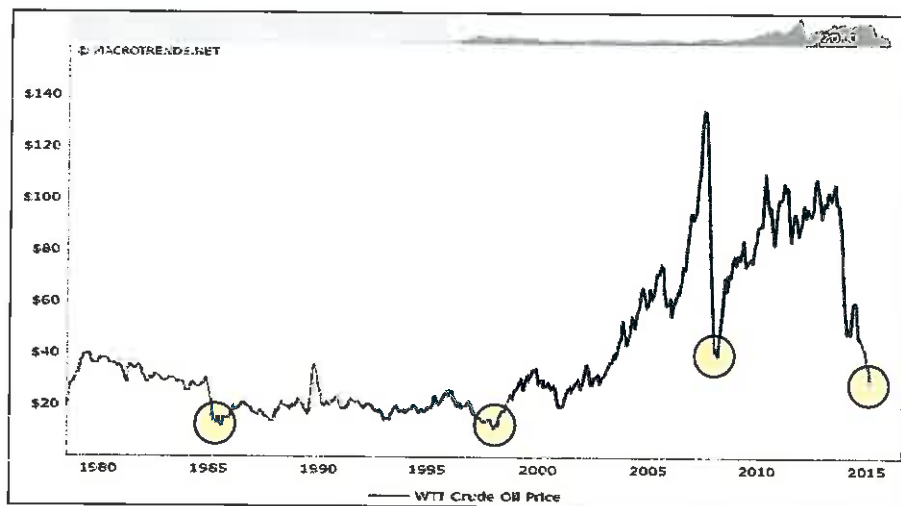
## DIRECTORS' REPORT

Oil Price in Adjusted (2016) dollars



Low points in price cycle

Oil Price in Nominal terms



Except for a number of short lived mini-collapses in 2003 and 2007 the price has been building in real terms until 2014 - a period of 18 years. True value accretion was achieved in the first half of that period with Oil Search's purchase of BP, Orogen and Chevron assets in PNG and InterOil's exploration success at Elk-Antelope. Unfortunately, as with all booms, value erosion crept into the industry over the second half of the cycle with poor management practices, excessive waste, high salaries and high corporate overheads. Kina believes that we are currently going through the correction the industry needed to re-establish value in the energy business and Kina believes it is well positioned to participate aggressively in the next value accretive cycle in PNG.

Since its float Kina has not paid the high salaries typical of our peers in the industry but has incentivised key personnel through options and shares in an effort to link performance to shareholder return. Furthermore Kina is a low overhead company and has maintained a business model that has directed its funds to its near term production assets and spreading risk by farming out its exploration and longer term growth assets. By adopting this approach Kina has maintained a strong balance sheet, is debt free, and enhanced its intellectual property database. Most importantly, Kina has built an impressive portfolio of ranked assets across the breadth of PNG.

## DIRECTORS' REPORT

### Existing Projects

The Company's exploration and development projects as at the date of this Annual Report are set out below. These assets are considered to be prospective oil and gas and work programmes have been developed.

License	Prospect	Ownership	Operator
PPL 337	Banam/Kwila	Kina 90%	Kina
PPL 338	Triceratops Extension / Iviri South	Kina 100%	Kina
PPL 339	Kalangar	Kina 30%	Oil Search
PPL 340	in progress	Kina 100%	Kina
PPL 435	In progress	Kina 100%	Kina
PPL 436	In progress	Kina 100%	Kina
PPL 437	Malisa South	Kina 57.5%	Kina
PRL 21	Elevata/Tingu and Ketu Fields	Kina 15%	Horizon Oil Ltd
PRL 38	Pandora Fields	Kina 25%	Repsol

### Overview of PNG Exploration Activities

The majority of the Company's tenements are all located within the prospective Papuan Basin of PNG – see Figure 1. The projects are prospective for oil and gas close to existing or proposed export infrastructure.

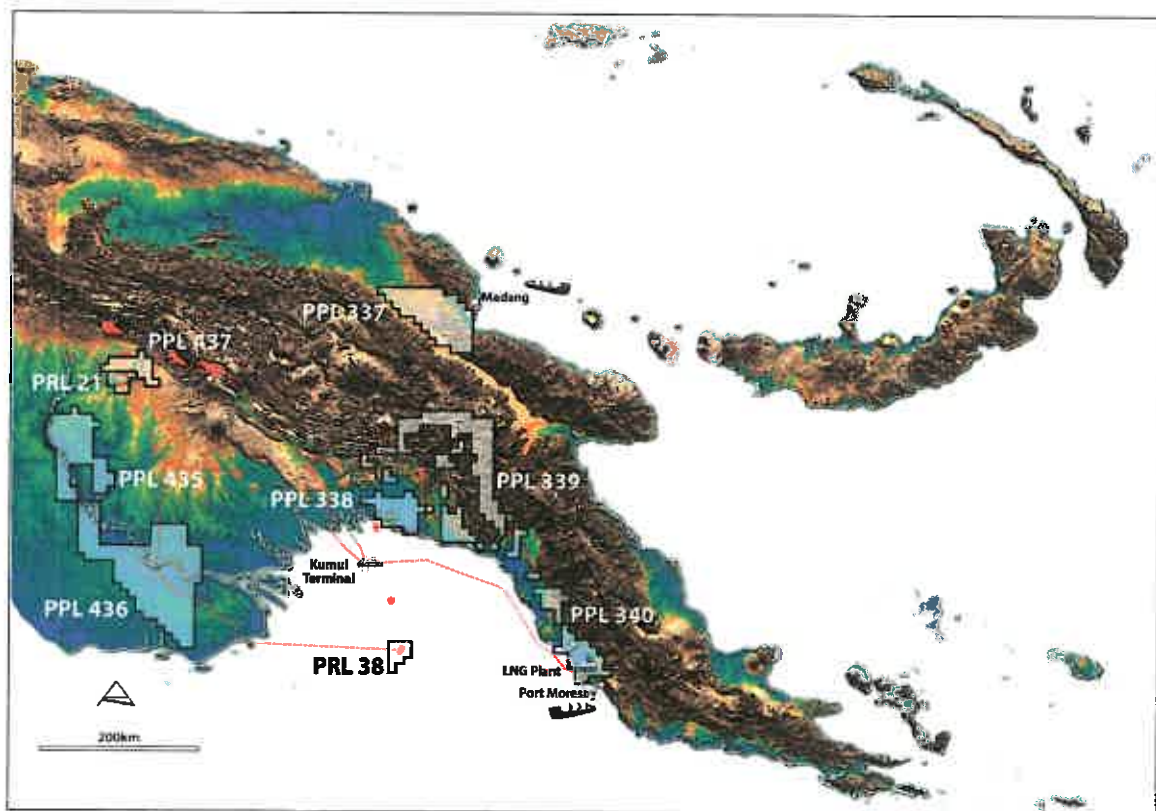


Figure 1: Location of Kina Petroleum Prospecting and Retention Licences.

## DIRECTORS' REPORT

Exploration and Development activities conducted on these projects during the period together with planned activities are reported in the following sections.

### **PRL 21 (Kina 15%)**

Sustained low oil prices throughout 2015 increased pressure on the Joint Venture to focus on further development-related cost savings, revised development options and commercial analysis ahead of any Final Investment Decision. Work remains focussed on gas development options given that the prevailing oil price environment does not support a stand-alone liquids stripping project.

A significant milestone was achieved in the final quarter of 2015 with PNG authorities issuing the environmental permit for the proposed Elevata/Ketu development.

### **PRL 38 (Kina 25%)**

PRL 38 is located offshore Gulf of Papua and incorporates the Pandora A and B reef gas discoveries. There are also prospective additions between the A and B reefs and several further undrilled reef structures. Kina believes this gas resource is significant in size and upside potential will see development either on a stand-alone basis or as part of an aggregated development with other hydrocarbons from the Western Province.

Potential development options for this gas include:

- Floating LNG, assuming a Build, Own, Operate (BOO) approach with the production facility operator absorbing the majority of the capital component of the development recouped through processing fees;
- Stand-alone platform development using a jack-up rig to support liquefaction facilities;
- Aggregation with other offshore discoveries and recent onshore discoveries in Gulf Province;
- Aggregation with Western Province gas assets.

Other parties in PRL 38 include Talisman (25%), Santos (10%) and Cott Oil and Gas (40%). In the event that any of these parties desires to reduce its position in PRL 38 because of a change of strategy or otherwise, KPL is well placed to build its position and influence the development options for PRL 38.

In December 2015, Cott Oil and Gas confirmed that Twinza Oil would purchase its interest in PRL 38. Twinza is focused on commercialising discovered but as yet undeveloped assets, and is broadening its presence in Papua New Guinea co-incident with its proposed development of the Pasca gas/condensate field 60km to the north of PRL 38.

Kina views Twinza's entry into PRL 38 favourably given its intent to develop the Pasca field through innovative approaches to offshore drilling and development and thus providing another potential path to commercialisation of the Pandora gas.

### **PPL 337 (Kina 90% at balance date, but licence now relinquished)**

The Raintree-1 and Kwia-1 wells were drilled in May to July of 2015. Though a pleasing operational outcome as these were the first wells drilled in a Kina operated licence, the lack of success of these high risk wells led Heritage to withdraw from the licence.

Kina's subsequent review of remaining prospectivity based on the results of the wells, and its regional analysis of the potential petroleum systems suggests that the chance of a commercial discovery in the licence is low, particularly given the current oil price environment. Accordingly, and following receipt of an offer from the government of Papua New Guinea to extend the licence, the Company has decided to relinquish its interest in the licence.



## DIRECTORS' REPORT

### PPL 338 (Kina 100%)

PPL 338 is located in the eastern Papuan Basin, to the west and south of the Elk-Antelope gas field in PRL 15. Successful drilling of Antelope-4, -5 and -6 in PRL 15 and of Triceratops-3 in PRL 39 during 2015 has further high-graded the prospectivity of PPL 338.

Reprocessing of 2011 vintage Tagula seismic data out of Triceratops-3 into northern PPL 338 shows continuity of that carbonate reservoir to the north. The reprocessed data demonstrate a top carbonate closure in the footwall of the over-thrust/wrench fault separating the foreland from the fold belt. There is evidence of complete detachment within the Cretaceous shales and well-developed separation of surface carbonates from the Triceratops North Prospect which can be confidently tied into the Triceratops -2 and -3 wells.

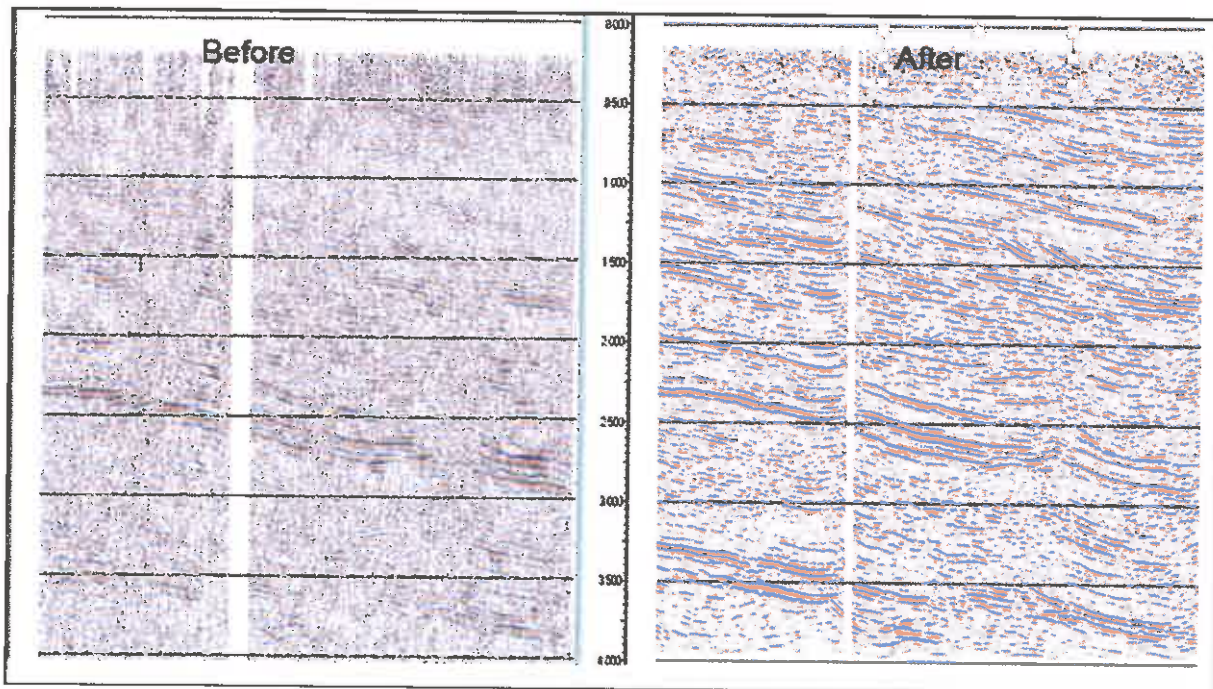
To the west of Triceratops the improved quality of reprocessed seismic data and detailed analysis of seismic interval velocities similarly allows the top of the carbonate reservoir to be identified with a high degree of confidence. Triceratops West Prospect is a very large closure along trend from the outcropping carbonates of the Irou Anticline and Wabau Range where surface elevations of the outcropping carbonates are in excess of 1 km above sea level.

The Irou Anticline and Wabau Range structures also demonstrate a compressional wrench style of structuring and intersections of footwall carbonates in Wabau -1 (1215m subsea) and Anesi (1100m subsea) may be footwall extensions of the closure at Triceratops West Prospect.

Detailed structural analysis and depth conversion of the Triceratops West and Triceratops North Prospects will be completed over the next quarter.

In the south of PPL 338, the reprocessed seismic data has vastly improved the seismic well ties and interpretation confidence. The improvement in seismic imaging is clearly demonstrated in the example shown below.

*Improvement in Seismic data after re-processing.*



Final data for certain key lines over Mangrove and Nipa Prospects were only received towards the end of 2015 with interpretation and appraisal of this data underway at the date of this report.

## DIRECTORS' REPORT

Preliminary interpretation of the seismic data confirms the presence of the Nipa, Mangrove and Crocodile Prospects and separation between Mangrove and Crocodile. Full interpretation of the seismic data will be completed in early 2016.

Total's and Oil Search's entry into PRL 15 during 2015 for participating interests of approx. 61% and 23% - at cost between USD1.5bn – USD3.6bn and USD900M respectively - confirms Kina's belief that the Nipa, Mangrove, Crocodile, Triceratops North and Triceratops West remain some of the most highly ranked prospects in PNG.

### **PPL 339 (Kina 30%)**

PPL 339 is located in the eastern Papuan Basin, south and east of Elk-Antelope.

During the year, Oil Search's acquisition of a 70% participating interest in PPL 339 from KPL was approved by the government of PNG. Prior to the end of the year, Oil Search advised that it had completed the farmout of half of its interest to Total. Oil Search therefore retains a 35% participating interest in PPL 339 and remains operator of the block.

As at the end of 2015, KPL had begun reprocessing all seismic lines within PPL 339 with final data received during the last quarter 2015 and first quarter 2016. Analysis of seismically derived interval velocities and interpretation of gravity-gradiometry data suggests a barrier reef system may have developed in the southwest of the licence from mid Miocene to late Miocene and into the early Pliocene. The seismic interpretation accords well with interpretation of outcrop control to the east of the licence where late Miocene and mid Miocene reef rocks outcrop at Saw Mountain and Hell's Gate. The barrier reef system appears to have been inundated by Pliocene sedimentation associated with orogenic activity in the north of the licence.

The Kalangar Prospect lies at the culmination of the uplifted barrier reef system closing off at the coast line where a sediment bypass system connects the Aure Trough with the deeper basin to the south and west of Kalangar. It remains difficult to accurately map top carbonate at Kalangar and the seismic data grid is not of sufficient detail to demonstrate whether Kalangar is independently closed off from Cassowary Prospect so prospect size, depth to objective and potential hydrocarbon volume remain ill-defined.

Based on gravity gradiometry data and seismically derived interval velocity data Bowerbird Prospect appears to be building up on an independent fault trend antithetic to the main barrier system which hosts Kalangar and Cassowary Prospects. The Bowerbird prospect is deeper and more difficult to image than Kalangar Prospect.

The Kalangar, Cassowary and Bowerbird Prospects lie in an area of abundant surface oil and gas seeps and the prospects are considered to have low charge risk but further work is required to address structural closure risk and depth to top reservoir objective.

### **PPL 340 (Kina 100%)**

PPL 340 is in the eastern Papuan Basin, located north from Port Moresby in several blocks.

At the end of 2015 interpretation of aerogravity, aeromagnetic and seismic data has high-graded two structural leads within PPL 340: Port Moresby and Lizard. The company's assessment is that the leads lie on a separate shelf or ridge independent of the barrier system seen in PPL 339 and separated from PPL 339 by the Lakekamu embayment.

The PPL 340 licence area was uplifted in the late Eocene by tectonic movements associated with uplift of the Owen Stanley Ranges and emplacement of the Papuan Ultramafic Belt to the northeast. A series of post Eocene movements possibly related to emplacement of the Late Eocene to Oligocene basalts and gabbroic intrusions have created a series of mid Miocene, late Miocene and Pliocene carbonate barriers to mid Miocene, late Miocene to Pliocene sediments and volcanics that prograde from the north. The carbonates were sampled and analysed by Kina geologists in the second half of 2015 and although presence of fringing reefs can be justified on the strength of outcrop and seismic evidence the presence of an active thermogenic petroleum system is considered high risk in the south of the licence and it is for this reason the Port Moresby lead has been downgraded.

## DIRECTORS' REPORT

Lizard prospect continues to offer promise for entrapment of thermogenically derived hydrocarbons based on reported thermogenic hydrocarbon shows out of Tovala 1 and 2 in the centre of the Lakekamu embayment and more recently based on thermogenic hydrocarbon shows reported by InterOil out of Wahoo 1 in 2015.

### **PPLs 435 and 436 (Kina 100% in both licences)**

PPLs 435 and 436 are two large areas located in the Western Province, structurally within the Papuan Foreland and both astride the Fly River between the Fly River delta and Lake Murray.

During the year, Cott Oil and Gas withdrew from both licences and its 50% participating interest was assumed by Kina Petroleum Limited. Kina now has a 100% participating interest in both licences.

During the year, reprocessing of all available legacy seismic data was undertaken. Preliminary interpretation confirms the presence of Juha, Alene, Toro, Imburu, Koi lange and Magobu sandstones extending from southeast PPL 436 to the flanks of the Lake Murray High. The resolution of seismic data has been markedly enhanced, with data quality improvement the same as shown in PPL 338 above.

Kina has completed a merge of PNG and Australian bouguer aerogravity data sets with the stitched composite map revealing a gravity high in the north east of PPL 436 closing off an area in excess of 4,000 square kilometres up dip of the Panakawa oil seep. Geochemical analysis of the Panakawa seep shows the oil is derived from a Type I/II source rock which is currently generating and is in the oil mature window.

Kina's work to date has confirmed presence of reservoir, structure and an active petroleum system operating at the flanks of PPL 435 and 436 with discharge into the large closure defined by the gravity data. Dalbert, Alligator, Sturt and Oriomo prospects in PPL 436 look to form independent closures within the aforementioned gravity high while Serki Prospect lies on the western flank of the high at the margin of the Morehead sub-basin.

A preliminary analysis of reprocessed seismic data in PPL 435 is encouraging and supports presence of early Cretaceous reservoir over the Aiambak Prospect possibly equivalent in age to the Elevala Sandstone in PRL 21. Aiambak is within 15 km of Lake Murray-1 which flowed gas from sands slightly younger than the Elevala Sandstone. The base Tertiary to top basement isopach is thicker over the Aiambak feature than at Lake Murray 1 and there is a high likelihood of better-developed reservoir at Aiambak.

Interpretation of the integrated gravity and seismic data will commence in the forth-coming quarter and form the basis for follow up seismic surveys in PPL 435 and 436. Due to delays in locating the legacy seismic data and the timing of the dry season in PPLs 435 and 436 seismic work is unlikely to commence until mid-2017. This work will be subject to a successful farm-out.

Subject to confirmation by that infill seismic acquisition, drilling costs in PPL 435 and 436 should be low as top reservoir depth is of the order of 1500-2000m and terrain is suitable for a road-supported rig with good access via the Fly River.

### **PPL 437 (Kina 57.5%)**

PPL 437 is located in the Western Province of PNG, structurally within the Papuan Foreland and immediately north of PRL 21 (Ketu-Elevala).

As with Kina's other licences in PNG, reprocessing of pre-existing seismic data has greatly enhanced our understanding of the licence. As in PPLs 338, 435 and 436, data quality improvements have transformed the old data to useful and reliable information at relatively low cost. The work was undertaken by Heritage under the farm-in agreement, and costing around \$US 190,000, which compares very favourably with an acquisition program for the same number of line kilometres that would have cost in excess of \$US 50 million.

Interpretation and depth conversion of the 2014 Gosur 2D data, as well as reprocessed seismic data, is complete with Malisa remaining an attractive fault dependent target along trend from the Elevala field. Malisa is a drill-ready but the fault independent closure at top Elevala level, and is relatively small. A PPL437 well can only be justified once the oil price improves and there is a commitment to develop Elevala/Ketu fields.

## **DIRECTORS' REPORT**

Several attractive features have been identified from the reprocessed seismic data in PPL 437. Ketu North is smaller than Malisa and lies on a north-westerly trend along from the confirmed Ubuntu and Ketu discoveries. Further to the east Ebony has been mapped west-south-west of the Juha gas field and south-east of P'nyang.

The development of P'nyang would see construction of an export pipeline very close to Ebony and this prospect has been elevated for consideration of additional seismic acquisition in advance of a well. Any seismic carried out in PPL 437 will not occur until 2017 and will be subject to farmout by Kina and Heritage.

### **ENVIRONMENTAL ISSUES**

The Company is in material compliance with all applicable environmental regulations, and there have been no reports of breaches of environmental regulations in the financial year and at the date of this report

## DIRECTORS' REPORT

### REMUNERATION REPORT

Details of the nature and amount of remuneration for each Director of the Company and key management personnel are set out below.

#### Remuneration Policy and Practices

The Company's policy for determining the nature and amount of remuneration of Board members and senior executives is as follows:

i. Non-Executive Directors

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to its Non-Executive Directors and will review their remuneration annually.

The maximum aggregate annual remuneration of Non-Executive Directors is subject to approval by the shareholders in general meeting. The shareholders have determined at a general meeting held on 9 March 2010 the maximum aggregate remuneration amount to be \$350,000 per year. The Directors have resolved that the cash fees payable to non-executive directors for all Board activities are \$185,000 per year plus, where required, superannuation guarantee contributions of 9% per annum where required by legislation. Additionally, and subject to shareholder approval, non-executive directors may receive an annual allocation of ordinary shares in the company. That allocation shall be \$A 30,000 worth for the Chairman and \$A 20,000 for each non-executive director.

ii. Key management personnel

To pursue the Company's objectives, the Company has assembled a group of Directors which we believe have extensive experience in the Oil and Gas and finance industries. The Company will recruit appropriate key executive management personnel commensurate with the Company's growth in activity. The remuneration structure for key executive management, including Executive Directors will be based on a number of factors, including qualifications, particular experience, general past performance of the individual concerned, overall performance of the Company and general human resources market pricing. There is no predetermined equity compensation element within the executive remuneration structure or predetermined performance conditions to be satisfied. However, ad-hoc grants of equity compensation (through issuance of stock options) have previously been made to key management personnel.

#### Company performance and director and executive remuneration

The aim of the Company's remuneration policy is to achieve goal congruence between the Company's shareholders, directors and executives.

##### *Director and Executive Options*

There were no Director Options outstanding at 31 December 2015. All previously issued Director options were exercised in 2013.

##### *Executive Options*

The Company had issued options to its Chief Financial Officer, Mr Alex Mitchell.

The specific terms and conditions of Mr Mitchell's options are as follows:

- i. Number of options issued – 1,500,000;
- ii. Exercise price – \$0.50;
- iii. Vesting conditions – the options are divided into 3 equal tranches, each with different vesting conditions as follows:

## DIRECTORS' REPORT

- (A) Tranche 1 – vesting upon one year anniversary date of employment with the Company (Tranche 1 vesting date);  
 (B) Tranche 2 - vesting upon two year anniversary date of employment with the Company (Tranche 2 vesting date);  
 (C) Tranche 3 – vesting upon the 30 month anniversary of employment with the Company (Tranche 3 vesting date);

These options were not exercised and expired in December 2015.

### Remuneration of Directors and Key Management for the year to 31 December 2015

	Short-term benefits		Post employment		Share-based payments		Total remuneration represented by options and shares	%
	Cash salary and fees	Short term incentives	Super-annuation	Termination benefits	Options	Shares		
	US\$	US\$	US\$	US\$	US\$	US\$		
<b>2015</b>								
<b>Directors</b>								
Richard Schroder	199,426	-	26,339	-	-	-	225,765	-
Richard Robinson	41,390	-	-	-	-	22,569	63,959	35
Barry Tan	33,865	-	-	-	-	15,046	48,911	31
Dr Ila Temu	33,865	-	-	-	-	15,046	48,911	31
David Vance	33,865	-	-	-	-	15,046	48,911	31
<b>Total Directors</b>	<b>342,411</b>	<b>-</b>	<b>26,339</b>	<b>-</b>	<b>-</b>	<b>67,707</b>	<b>436,457</b>	<b>16</b>
<b>Key Management</b>								
A Mitchell	155,025	-	13,952	-	-	-	168,977	-
<b>Total Key Management</b>	<b>155,025</b>	<b>-</b>	<b>13,952</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>168,977</b>	<b>-</b>
<b>Total</b>	<b>497,436</b>	<b>-</b>	<b>40,291</b>	<b>-</b>	<b>-</b>	<b>67,707</b>	<b>605,434</b>	<b>11</b>

### Remuneration of Directors and Key Management for the year to 31 December 2014

	Short-term benefits		Post employment		Share-based payments		Total remuneration represented by options and shares	%
	Cash salary and fees	Short term incentives	Super-annuation	Termination benefits	Options	Shares		
	US\$	US\$	US\$	US\$	US\$	US\$		
<b>2014</b>								
<b>Directors</b>								
John Prendiville	53,488	-	-	61,310	-	-	114,798	-
Richard Schroder	239,132	-	31,583	-	-	-	270,715	-

## DIRECTORS' REPORT

Richard Robinson	44,743	-	-	-	-	19,432	64,175	30
Barry Tan	45,975	-	-	-	-	18,048	64,023	28
Dr Ila Temu	50,692	-	-	-	-	18,048	68,739	26
David Vance	-	-	-	-	-	3,068	3,068	100
<b>Total Directors</b>	<b>434,030</b>	<b>-</b>	<b>31,583</b>	<b>61,310</b>	<b>-</b>	<b>58,596</b>	<b>585,518</b>	<b>10</b>

### Key Management

A Mitchell	180,477	-	16,243	-	32,724	-	229,444	14
<b>Total Key Management</b>	<b>180,477</b>	<b>-</b>	<b>16,243</b>	<b>-</b>	<b>32,724</b>	<b>-</b>	<b>229,444</b>	<b>14</b>
<b>Total</b>	<b>614,507</b>	<b>-</b>	<b>47,826</b>	<b>61,310</b>	<b>32,724</b>	<b>58,596</b>	<b>814,962</b>	<b>11</b>

### Directors' securities holdings

As at the date of this report, the relevant interests of the Directors in the securities of the Company were as follows:

<b>For the year to 31 December 2015</b>	<b>Number</b>	
	<b>Fully paid ordinary shares</b>	<b>Options</b>
Richard Robinson	300,000	-
Richard Schroder	15,752,381	-
Barry Tan	17,520,001	-
Dr Ila Temu	510,000	-
David Vance	-	-
	<b>34,082,382</b>	<b>-</b>

<b>For the year to 31 December 2014</b>	<b>Number</b>	
	<b>Fully paid ordinary shares</b>	<b>Options</b>
Richard Robinson	300,000	-
Richard Schroder	15,752,381	-
Barry Tan	17,520,001	-
Dr Ila Temu	510,000	-
David Vance	-	-
	<b>34,082,382</b>	<b>-</b>

### End of audited Remuneration Report

## DIRECTORS' REPORT

### SHARE OPTIONS

Number of options over unissued ordinary shares at the date of this report was as follows:

#### 2015

Options exercisable at \$0.50 per share on or before 16 December 2015 nil

#### 2014

Options exercisable at \$0.50 per share on or before 16 December 2015 1,500,000

### MEETINGS OF DIRECTORS

Attendances by each director to meetings of directors (including committee of directors) during the year to 31 December 2015 were as follows:

	Board Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
<b>2015</b>				
Richard Schroder	7	7	-	-
Barry Tan	7	6	2	2
Dr Ila Temu	7	7	2	2
Richard Robinson	7	7	-	-
David Vance	7	7	2	2
<b>2014</b>				
John Prendiville	9	7	2	2
Richard Schroder	10	9	-	-
Barry Tan	10	9	2	2
Dr Ila Temu	10	8	2	2
Richard Robinson	10	9	-	-
David Vance	1	1	-	-

During the year, some Board business was affected by execution of circulated resolutions.

### INDEMNIFYING OFFICERS OR AUDITORS

During the year the Company paid a premium of USD equivalent \$25,132 (2014: \$26,783) in respect of a contract insuring the Directors and officers of the Company against a liability incurred by such Directors and officers. The Company has not otherwise, during or since the end of the year, indemnified or agreed to indemnify the auditor of the Company, or of any related body corporate, against a liability incurred by such auditor.

### PROCEEDINGS

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.



## DIRECTORS' REPORT

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to balance date, the Minister for Petroleum and Energy in Papua New Guinea offered an extension to the PPL 337 licence. The company has opted to decline the offer of the extension and has relinquished its interest in the licence. There were no other material events occurring post balance date.

### NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services by the auditor during the year is compatible with the general standard of independence for auditors and do not compromise the general principles relating to auditor independence.

Details of the amounts paid or payable to the auditors (PriceWaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 5.

Signed in accordance with a resolution of the Board of Directors.



Mr Richard Schroder  
Managing Director

Dated this 29 day of March 2016

## CORPORATE GOVERNANCE STATEMENT

The Company has adopted a comprehensive system of control and accountability as the basis for the administration of corporate governance. The Board is responsible to Shareholders for the overall management of the Company's business and affairs. The Directors' overriding objective is to increase Shareholder value within an appropriate framework, which protects the rights and interests of Shareholders and ensures the Company is properly managed.

The Company's corporate governance principles and policies are structured with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition) with 2010 Amendments ("Principles and Recommendations"), which are as follows:

<b>Recommendation 1</b>	Lay solid foundations for management and oversight;
<b>Recommendation 2</b>	Structure the Board to add value;
<b>Recommendation 3</b>	Act ethically and responsibly;
<b>Recommendation 4</b>	Safeguard integrity in corporate reporting;
<b>Recommendation 5</b>	Make timely and balanced disclosures;
<b>Recommendation 6</b>	Respect the rights of security holders;
<b>Recommendation 7</b>	Recognise and manage risk;
<b>Recommendation 8</b>	Remunerate fairly and responsibly;

There is no prescriptive, legislative approach but instead, ASX listed companies are required to explain why they choose to depart from the Principles and Recommendations. The following policies and procedures have been implemented and are available in full on the Company website at [www.kinapetroleum.com](http://www.kinapetroleum.com):

- Code of Conduct;
- Board Charter;
- Nomination and Remuneration Committee Charter;
- Continuous Disclosure Policy and Communication Strategy;
- Audit and Risk Management Committee Charter;
- Share Trading Policy and
- Diversity Policy

In accordance with recommendations of the ASX, information published on the Company's web site includes charters of the Board and its subcommittees, codes of conduct and other policies and procedures relating to the Board and its responsibilities. To the extent that they are relevant to the organisation, the Company has adopted the eight Corporate Governance Principles and Recommendations. The table below summarises the eight principles and recommendations (P&R) and those recommendations not adopted by the Company.

	ASX P&R <sup>1</sup>	If not, why not <sup>2</sup>		ASX P&R <sup>1</sup>	If not, why not <sup>2</sup>
Recommendation 1.1	✓		Recommendation 4.2	✓	
Recommendation 1.2	✓		Recommendation 4.3	✓	
Recommendation 1.3	✓		Recommendation 5.1	✓	
Recommendation 1.4	✓		Recommendation 6.1	✓	
Recommendation 1.5		✓	Recommendation 6.2	✓	
Recommendation 1.6	✓		Recommendation 6.3	✓	
Recommendation 1.7	✓		Recommendation 6.4	✓	
Recommendation 2.1		✓	Recommendation 7.1	✓	
Recommendation 2.2	✓		Recommendation 7.2	✓	
Recommendation 2.3	✓		Recommendation 7.3	✓	
Recommendation 2.4	✓		Recommendation 7.4	✓	
Recommendation 2.5	✓		Recommendation 8.1		✓
Recommendation 2.6	✓		Recommendation 8.2	✓	
Recommendation 3.1	✓		Recommendation 8.3	✓	
Recommendation 4.1	✓				

### Notes

- 1 Indicates where the Company has followed the Principles and Recommendations.
- 2 Indicates where the Company has provided "if not, why not" disclosure.

## CORPORATE GOVERNANCE STATEMENT

### Principle 1 – Lay solid foundations for management and oversight

**Recommendation 1.1:** A listed entity should disclose (a) the respective roles and responsibilities of its board and management, and (b) those matters expressly reserved to the board and those delegated to management

The Company has adopted a Board Charter, which discloses the specific responsibilities of the Board and a summary of the Company's Board Charter is available on the Company's website at [www.kinapetroleum.com](http://www.kinapetroleum.com) under the section marked Corporate Governance.

**Recommendation 1.2:** A listed entity should (a) undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a director, and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company has adopted a Board Charter which deals specifically with Board nominations and appointment of directors.

**Recommendation 1.3:** A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The company has such agreements in place.

**Recommendation 1.4:** The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The company secretary is accountable to the board through the chair.

**Recommendation 1.5:** The company should have and disclose a diversity policy, including measureable objectives for achieving gender diversity, its progress towards achieving those objectives and the respective proportions of men and women on the board, in senior executive positions and across the whole organisation.

#### Notification of Departure from Principles:

Whilst the company has established a diversity policy which is available for review at the company's website [www.kinapetroleum.com](http://www.kinapetroleum.com), incorporating the concept of measurable objectives in respect of the policy, such measurable objectives have not been disclosed.

#### Explanation for Departure:

Given the phase of the company's development and the current economic environment within the oil and gas industry, the company has no requirement for human resourcing levels beyond the existing key management roles. Accordingly, implementing a diversity policy at this time over such a small workforce is unlikely to be able to be achieved without sacrificing core management skills and accordingly, is viewed as counterproductive and contrary to the best interests of the company.

**Recommendation 1.6:** The company should (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors, and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company has adopted a Board Charter, which discloses the process by which board evaluation takes place. This is available on the Company's website at [www.kinapetroleum.com](http://www.kinapetroleum.com) under the section marked Corporate Governance.

An evaluation of the Board's performance will occur in calendar year 2016.

**Recommendation 1.7:** A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives, and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company's Corporate Governance Plan includes a Board Charter which discloses that the Chairman will review the performance of all senior executives on an ongoing basis by way of informal meetings and reporting his findings to the board. This occurred throughout the reporting period, including via discussion with external auditors at meetings of the Audit Committee

### Principle 2 – Structure to the Board to add value

**Recommendation 2.1:** The board of a listed entity should have a nomination committee which has at least 3 members, the majority of whom are independent, is chaired by an independent director and disclose the charter of the committee, the members of the committee and the number of times throughout the reporting period that the committee has met.

## CORPORATE GOVERNANCE STATEMENT

*If a listed entity does not have a committee, it should disclose that fact and how it deals with matters that would otherwise be considered by a nomination committee.*

### **Notification of Departure from Principles:**

The Company has not established a separate Nomination Committee.

### **Explanation for Departure:**

The full Board considers those matters that would usually be the responsibility of a nomination committee.

Given the size of the Board and the Company's current operations, the Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it will operate under the Nomination Committee Charter. The Nomination Committee Charter provides for the Board to meet at least annually and otherwise as required.

**Recommendation 2.2:** *A listed entity should have and disclose a skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.*

The company's skills matrix is shown in the Board Charter, available on the Company's website [www.kinapetroleum.com](http://www.kinapetroleum.com) under the section marked Corporate Governance.

**Recommendation 2.3:** *A listed entity should disclose (a) the names of the directors considered by the board to be independent, (b) if a director has an interest, position, association or relationship which might otherwise suggest non-independence but the board is of the opinion that it does not compromise the independence of the director, then an explanation of why the board is of that opinion, and (c) the length of service of each director.*

The Directors' report notes the length of each director's service and whether they are independent. Mr David Vance, despite being a nominee of the company's largest shareholder is considered independent, is considered by the board to be independent because in discharging his responsibilities as a director he applies an independent frame of mind.

**Recommendation 2.4:** *A majority of the Board should be Independent Directors*

3 of 5 Directors are classified as independent.

The Company's Constitution requires that the minimum number of Directors is 3. The Company presently has five Directors consisting of four Non-Executive Directors and one Managing Director. Of the Directors, Mr Richard Robinson, a Non-Executive Director and Chairman of the Company, Dr Ila Temu, a Non-Executive Director, and Mr David Vance, a non-executive Director, are considered as independent. Richard Schroder is the Managing Director of the Company, Barry Tan is a Non-Executive Director and a substantial shareholder of the Company. In making the assessment of whether Mr David Vance is considered to be an Independent Director, the Board had to consider his association with a substantial shareholder of the Company. The Board considers that notwithstanding this association, Mr David Vance applies an independent frame of mind in his role of Non-Executive Director and has therefore classified him as independent.

**Recommendation 2.5:** *The Chair should be an independent director and in particular should not be the same person as the CEO.*

The Company's Chairman, Mr Richard Robinson, is an independent Non-Executive Director and not the CEO of the company.

**Recommendation 2.6:** *A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

The Board Charter contained within the company's Corporate Governance Plan provides that board members have access to company information as required. New Board members will also be inducted by the Chairman or CEO as appropriate.

## CORPORATE GOVERNANCE STATEMENT

### Principle 3 – Act Ethically and Responsibly

**Recommendation 3.1:** Companies should establish a code of conduct for its directors, senior executives and employees and disclose the code or a summary of the code or a summary the code

The company has adopted a code of conduct which appears in the Corporate Governance Plan available on the company's website [www.kinapetroleum.com](http://www.kinapetroleum.com) under the heading Corporate Governance.

### Principle 4 – Safeguard integrity in corporate reporting

**Recommendation 4.1:** The Board should establish an Audit Committee

**Recommendation 4.2:** The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained, the financial statements give a true and fair view and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

**Recommendation 4.3:** A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company complies with all three recommendations having established an Audit Committee which consists of the three Non-Executive directors and is chaired by an independent Director who is not the Company Chairman.

The Company has an Audit and Risk Management Committee Charter, a copy of which is available on the Company's website at [www.kinapetroleum.com](http://www.kinapetroleum.com) under the section marked Corporate Governance. The company's auditors attend the AGM and are available to answer questions from security holders.

The Company will provide an explanation of any departure from Principles and Recommendation 4.1, 4.2 or 4.3 (if any) in its future annual reports.

### Principle 5 – Make timely and balanced disclosure

**Recommendation 5.1:** A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the listing rules, and (b) disclose that policy or a summary of it.

The Board has adopted a Continuous Disclosure Policy and Communication Strategy and has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. A copy of the Company's Continuous Disclosure Policy and Communication Strategy is available on the Company's website.

The Company will provide an explanation of departures from Principles and Recommendation 5.1 (if any) in its future annual reports.

### Principle 6 – Respect the rights of security holders

**Recommendation 6.1:** A listed entity should provide information about itself and its governance to investors via its website

The company's corporate governance plan is available on the company's website [www.kinapetroleum.com](http://www.kinapetroleum.com) under the section headed Corporate Governance. This annual report is also available on the company's and ASX's website.

**Recommendation 6.2:** A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

**Recommendation 6.3:** A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

**Recommendation 6.4:** A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company has established its Continuous Disclosure Policy and Communications Strategy to ensure it communicates effectively with shareholders. The Continuous Disclosure Policy and Communication Strategy ensures that shareholders are

## CORPORATE GOVERNANCE STATEMENT

provided with ready access to balanced and understandable information about the Company and corporate proposals and that participation in general meetings of the Company is as accessible as possible. A summary of the Company's Continuous Disclosure Policy and Communication Strategy is available on the Company's website at [www.kinapetroleum.com](http://www.kinapetroleum.com) under the section marked Corporate Governance.

The Company will provide an explanation of departures from Principles and Recommendations (if any) in its future annual reports.

### Principle 7 – Recognise and manage risk

**Recommendation 7.1:** *The board of a listed entity should (a) have a committee or committees to oversee risk. The committee(s) should have at least 3 members a majority of whom are independent directors and be chaired by an independent director. If it does not have a committee or the committee does not satisfy the criteria in recommendation 7.1 then the company should disclose this and the processes used for overseeing the company's risk management framework.*

**Recommendation 7.2:** *The board or a committee of the board should (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, and (b) disclose in relation to each reporting period, whether such a review has been undertaken.*

**Recommendation 7.3:** *A listed entity should disclose (a) if it has an internal audit function, and (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

**Recommendation 7.4:** *A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks, and if it does, how it manages or intends to manage those risks.*

The Company has established an Audit and Risk Management Committee to monitor and review on behalf of the Board the system of risk management which the Group has established. This system aims to identify, assess, monitor and manage operational and compliance risks.

A copy of the Audit and Risk Management Charter and the Risk Management policy is available on the Company's website at [www.kinapetroleum.com](http://www.kinapetroleum.com) under the section marked Corporate Governance.

The Board seeks written assurance from the Managing Director and CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting.

The Company does not have an Internal Audit function as the scale of operations does not presently justify the existence of such a function. The matters that would customarily be dealt with by an internal audit function are managed by the Audit and Risk Management Committee via its charter. Additionally, as part of annual external audit, the company's auditors make enquiries of senior executives with regard to internal controls and similar processes and report the results of their enquiries to the Committee.

The company's exposure to risks of an economic, environmental and social nature are those which are common to participants in the Oil and Gas industry worldwide. The company manages economic risk through its business model of farming out higher risk exploration activity and only investing directly in development activity which is commercially viable. Environmental and social risks are managed through adherence to the requirements of the Oil and Gas Act (1998) and addressing landowner issues whenever the company is conducting field operations.

### Principle 8 – Remunerate fairly and responsibly

**Recommendation 8.1:** *The Board should establish a Remuneration Committee which has at least 3 members, a majority of whom are independent and which is chaired by an independent director. The charter and members of the committee, along with the number of meetings and attendees should be disclosed.*

#### Notification of Departure:

The Company has not established a separate Remuneration Committee.

#### Explanation for Departure:

The full Board considers those matters that would usually be the responsibility of a remuneration committee.

## CORPORATE GOVERNANCE STATEMENT

Given the size of the Board and the Company's current operations, the Board considers that no efficiencies or other benefits would be gained by establishing a separate committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it will operate under the Remuneration Committee Charter. The Remuneration Committee Charter provides for the Board to meet at least annually and otherwise as required.

Under the Remuneration and Nomination Committee Charter, the role of the Board (when convening as the Remuneration Committee) is to review the Company's remuneration practices and policies and establish appropriate remuneration levels including incentive policies for Directors and senior executives.

**Recommendation 8.2:** A listed entity should separately disclose its policies and practices regarding the remuneration of its non-executive directors and the remuneration of executive directors and other senior executives..

**Recommendation 8.3:** A listed entity which has an equity-based remuneration scheme should (a) have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme, and (b) disclose that policy or a summary of it.

As noted above, the full Board performs the function of the Remuneration Committee. To assist the Board to fulfil this function, it has adopted the Remuneration and Nomination Committee Charter, a copy of which is available on the Company's website at [www.kinapetroleum.com](http://www.kinapetroleum.com) under the section marked Corporate Governance.

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed. There are no termination or retirement benefits for non executive Directors (other than for superannuation)

It is the Company's policy to prohibit transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company will provide an explanation of any departure from Principle and Recommendation 8.1, 8.2 or 8.3 (if any) in its annual report.

## CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	Group		Company	
		2015 US\$	2014 US\$	2015 US\$	2014 US\$
Revenue	2	<b>135,649</b>	207,290	<b>135,270</b>	206,912
Net administration expense	3	<b>(1,514,153)</b>	(1,558,512)	<b>(1,609,299)</b>	(1,509,359)
Exploration expense	20b	<b>(1,456,833)</b>	(1,695,653)	<b>(1,456,833)</b>	(1,695,653)
Share-based payments	16	<b>(67,707)</b>	(98,800)	<b>(67,707)</b>	(98,800)
Foreign exchange losses, net		<b>(185,892)</b>	(114,143)	<b>(185,892)</b>	(114,143)
<b>Loss before income tax</b>		<b>(3,088,936)</b>	(3,259,818)	<b>(3,184,461)</b>	(3,211,043)
Income tax expense	4	-	-	-	-
<b>Loss after income tax attributable to members of the parent entity</b>		<b>(3,088,936)</b>	(3,259,818)	<b>(3,184,461)</b>	(3,211,043)
<b>Other comprehensive income</b>					
Items that may be subsequently reclassified to profit and loss					
Foreign currency translation difference for the year, net of tax		<b>(106,585)</b>	3,467	-	-
<b>Other comprehensive income (loss) for the year</b>		<b>(106,585)</b>	3,467	-	-
<b>Total comprehensive loss for the year attributable to owners of the Parent Entity</b>		<b>(3,195,521)</b>	(3,256,351)	<b>(3,184,461)</b>	(3,211,043)

### Earnings per share

From continuing operations:

		In US cents			
Basic loss per share	22	<b>(0.96)</b>	(1.28)	-	-
Diluted loss per share	22	<b>(0.96)</b>	(1.28)	-	-

The above consolidated statement of total comprehensive income should be read in conjunction with the accompanying notes.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	Group		Company	
		2015 US\$	2014 US\$	2015 US\$	2014 US\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6	<b>10,342,756</b>	15,418,388	<b>10,336,583</b>	15,416,903
Trade and other receivables	7	<b>226,525</b>	368,500	<b>224,101</b>	364,835
Other current assets	8	<b>26,239</b>	29,364	<b>26,239</b>	29,364
<b>TOTAL CURRENT ASSETS</b>		<b>10,595,520</b>	15,816,252	<b>10,586,923</b>	15,811,102
<b>NON-CURRENT ASSETS</b>					
Exploration and evaluation expenditure	9	<b>21,151,850</b>	20,932,368	<b>21,151,850</b>	20,932,368
Development expenditure	10	<b>4,288,785</b>	3,420,098	<b>4,288,785</b>	3,420,098
Plant and equipment	11	<b>28,276</b>	50,618	<b>28,276</b>	42,136
Investment in subsidiary	23	-	-	<b>765,811</b>	765,808
Other non-current assets	12	<b>227,220</b>	264,390	<b>227,220</b>	264,390
<b>TOTAL NON-CURRENT ASSETS</b>		<b>25,696,131</b>	24,667,474	<b>26,461,942</b>	25,424,800
<b>TOTAL ASSETS</b>		<b>36,291,651</b>	40,483,726	<b>37,048,865</b>	41,235,902
<b>CURRENT LIABILITIES</b>					
Trade and other payables	13	<b>585,247</b>	1,649,508	<b>550,432</b>	1,623,099
Loans payable	14	-	-	<b>513,537</b>	511,153
<b>TOTAL CURRENT LIABILITIES</b>		<b>585,247</b>	1,649,508	<b>1,063,969</b>	2,134,252
<b>NET ASSETS</b>		<b>35,706,404</b>	38,834,218	<b>35,984,896</b>	39,101,650
<b>EQUITY</b>					
Issued capital	15	<b>49,389,418</b>	49,389,418	<b>49,389,418</b>	49,389,418
Reserves	26	<b>5,826</b>	185,140	<b>150,367</b>	223,097
Accumulated losses		<b>(13,688,840)</b>	(10,740,340)	<b>(13,554,889)</b>	(10,510,865)
<b>TOTAL EQUITY</b>		<b>35,706,404</b>	38,834,218	<b>35,984,896</b>	39,101,650

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

For and on behalf of the Board:

29 March 2016



**Mr Richard Schroder**  
Managing Director



**Mr Richard Robinson**  
Non-Executive Chairman

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Ordinary Issued Capital US\$	Accumulated Losses US\$	Reserves US\$	Total US\$
<b>For the year ended 31 December 2015</b>				
Balance at 31 December 2014	49,389,418	(10,740,340)	185,140	38,834,218
Loss for the year	-	(3,088,936)	-	(3,088,936)
Other comprehensive income				
Foreign currency translation difference	-	-	(106,585)	(106,585)
Total comprehensive loss for the year	-	(3,088,936)	(106,585)	(3,195,521)
Transactions with owners in their capacity as owners:				
Shares to be issued to Non-Executive Directors	-	-	67,707	67,707
Expired options transferred to accumulated losses	-	140,436	(140,436)	-
Total transactions with owners for the year	-	-	(72,729)	67,707
<b>Balance at 31 December 2015</b>	<b>49,389,418</b>	<b>(13,688,840)</b>	<b>5,826</b>	<b>35,706,404</b>
<b>For the year ended 31 December 2014</b>				
Balance at 31 December 2013	30,359,250	(7,480,522)	4,131,483	27,010,211
Loss for the year	-	(3,259,818)	-	(3,259,818)
Other comprehensive income				
Foreign currency translation difference	-	-	3,467	3,467
Total comprehensive loss for the year	-	(3,259,818)	3,467	(3,256,351)
Transactions with owners in their capacity as owners:				
Shares issued during the year	14,981,558	-	-	14,981,558
Shares issued for 5% of PRL 38	4,048,610	-	(4,048,610)	-
Shares to be issued to Non-Executive Directors	-	-	58,596	58,596
Options issued under Employee Incentive Plan	-	-	40,204	40,204
Total transactions with owners for the year	19,030,168	-	(3,949,810)	15,080,358
<b>Balance at 31 December 2014</b>	<b>49,389,418</b>	<b>(10,740,340)</b>	<b>185,140</b>	<b>38,834,218</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Company	Ordinary Issued Capital US\$	Accumulated Losses US\$	Reserves US\$	Total US\$
<b>For the year ended 31 December 2015</b>				
Balance at 31 December 2014	49,389,418	(10,510,865)	223,097	39,101,650
Loss for the year	-	(3,184,461)	-	(3,184,461)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	(3,184,461)	-	(3,184,461)
Transactions with owners in their capacity as owners:				
Shares to be issued to Non-Executive Directors	-	-	67,707	67,707
Options issued under Employee Incentive Plan	-	140,437	(140,437)	-
Total transactions with owners for the year	-	140,437	(72,730)	67,707
<b>Balance at 31 December 2015</b>	<b>49,389,418</b>	<b>(13,554,889)</b>	<b>150,367</b>	<b>35,984,896</b>
<b>For the year ended 31 December 2014</b>				
Balance at 31 December 2013	30,359,250	(7,299,822)	4,172,907	27,232,335
Loss for the year	-	(3,211,043)	-	(3,211,043)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	(3,211,043)	-	(3,211,043)
Transactions with owners in their capacity as owners:				
Shares issued during the year	14,981,558	-	-	14,981,558
Shares to be issued for 5% of PRL 38	4,048,610	-	(4,048,610)	-
Shares to be issued to Non-Executive Directors	-	-	58,596	58,596
Options issued under Employee Incentive Plan	-	-	40,204	40,204
Total transactions with owners for the year	19,030,168	-	(3,949,810)	15,080,358
<b>Balance at 31 December 2014</b>	<b>49,389,418</b>	<b>(10,510,865)</b>	<b>223,097</b>	<b>39,101,650</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	Group		Company	
		2015 US\$	2014 US\$	2015 US\$	2014 US\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Exploration and evaluation expenditure		(1,263,567)	(1,235,338)	(941,589)	(1,235,338)
Payments to suppliers and employees		(1,282,863)	(1,715,143)	(1,593,020)	(1,514,041)
Interest received		43,497	33,316	43,118	32,937
Net operator fee Income		55,000	90,000	55,000	90,000
<b>Net cash used in operating activities</b>	19	<b>(2,447,933)</b>	<b>(2,827,165)</b>	<b>(2,436,491)</b>	<b>(2,626,442)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Proceeds from farm-in agreement	9	-	300,000	-	300,000
Exploration and evaluation expenditure		(1,157,405)	(1,953,329)	(1,157,405)	(1,953,329)
Development expenditure		(1,290,769)	(1,309,247)	(1,290,769)	(1,309,247)
Acquisition of plant and equipment		(2,798)	(2,928)	(2,798)	(2,928)
<b>Net cash used in investing activities</b>		<b>(2,450,972)</b>	<b>(2,965,504)</b>	<b>(2,450,972)</b>	<b>(2,965,504)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Proceeds from the issue of shares		-	15,950,150	-	15,950,150
Capital raising costs		-	(968,562)	-	(968,562)
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>14,981,588</b>	<b>-</b>	<b>14,981,588</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(176,727)</b>	<b>(229,299)</b>	<b>(192,857)</b>	<b>(384,330)</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(5,075,632)</b>	<b>8,959,620</b>	<b>(5,080,320)</b>	<b>9,005,312</b>
Cash at beginning of year		15,418,388	6,458,768	15,416,903	6,411,591
<b>Cash at end of year</b>	19	<b>10,342,756</b>	<b>15,418,388</b>	<b>10,336,583</b>	<b>15,416,903</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## Notes to the consolidated financial statements

### Note 1 - Summary of Significant Accounting Policies

These consolidated financial statements and notes represent those of Kina Petroleum Limited and Controlled Entities (the "consolidated group" or "Group").

#### Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the PNG Companies Act 1997, International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Standards Interpretations Committee.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1r.

The financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Going concern basis of accounting

Notwithstanding the net loss after income tax for the consolidated group for the financial year ended 31 December 2015 was US\$3,088,936 (2014: US\$3,259,818), the financial statements have been prepared on a going concern basis. The Directors are managing the Group's cash flows carefully to meet its operational commitments.

The Group has US\$10,342,756 in cash and cash equivalents at the end of the year and at the date of this report the Directors are managing the Group's cashflows carefully to meet its operational commitments and expect to have sufficient working capital to carry out its stated objectives for at least 12 months from the date of this report. If the Group undertakes an acquisition of additional project(s) then it may have to raise additional capital to fund the development of these, but no allowance for such circumstances has been made in the financial statements as no such acquisition is contemplated by the Directors at the date of this report. The Directors consider that the going concern basis is appropriate in consideration of these circumstances.

#### Changes in accounting policies and disclosures

##### (a) New and amended standards applicable to, or adopted by, the Group

The following standards became effective in the year ended 31 December 2015, however none materially impact the Group.

- Amendment to IAS 19 regarding defined benefit plans (effective 1 July 2014). These narrow scope amendments simplify the accounting for contributions to defined benefit plans that are independent of the number of years of employee service.
- Annual improvements 2012 (effective 1 July 2014) makes minor changes to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 37 and IAS 39.
- Annual improvements 2013 (effective 1 July 2014) makes minor changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

##### (b) Standards, amendment and interpretations issued but not yet effective for the year ended 31 December 2015 or adopted early. Unless otherwise stated, the following standards are not expected to have a significant impact to the Group.

- Amendment to IFRS 11 "Joint arrangements" on acquisition of an interest in a joint operation (effective 1 January 2016). These amendments provide new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.
- Amendment to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture", regarding bearer plants (effective 1 January 2016). These amendments require bearer plants to be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The produce growing on bearer plants will remain within the scope of IAS 41
- Amendment to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets", on depreciation and amortisation (effective 1 January 2016). These amendments clarify that the use of revenue-based methods to calculate depreciation and amortisation is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
- IFRS 14 "Regulatory deferral accounts" (effective 1 January 2016) permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS.
- Amendments to IAS 27 "Separate financial statements" on the equity method (effective 1 January 2016). These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associates and joint ventures" (original effective date of 1 January 2016 now postponed) in relation to the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary
- Annual improvements 2014 (effective 1 January 2016) makes minor changes to IFRS 5, IFRS 7, IAS 19, and IAS 34.
- Amendments to IAS 1 "Presentation of Financial Statements" (effective 1 January 2016) clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved.
- Amendment to IFRS 10 and IAS 28 (effective 1 January 2016) on investment entities applying the consolidation exemption. The amendments to IFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. The amendments to IAS 28 allow an entity which is not an investment entity, but has an interest in an associate or joint venture which is an investment entity, a policy choice when applying the equity method of accounting.
- IFRS 15 "Revenue from contracts with customers" (effective 1 January 2018) is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- IFRS 9, "Financial Instruments" (effective 1 January 2018) replaces the guidance in IAS 39 with a standard that is less complex and principles based. The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, relaxes the requirements for hedge accounting and introduces an expected credit losses model that replaces the current incurred loss impairment model.
- IFRS 16, "Leases" (effective 1 January 2019) replaces the guidance in IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed and IFRS 16 will require a lessee to recognise a lease liability representing future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets. For lessees who previously entered into operating leases, one of the main impacts will be an increase in debt on the balance sheet.

## Accounting Policies

### (c) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Kina Petroleum Limited at the end of the reporting period. A controlled entity is any entity over which Kina Petroleum Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 23 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

### (d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below.

Interest revenue is recognised using the effective interest method.

### (e) Income tax

The income tax expense (benefit) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained using the liability method based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**(f) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**(g) Exploration and development expenditure**

Exploration expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration expenditure to be expensed in the period it is incurred except for:

- The cost of successful wells;
- The cost of acquiring interest in new exploration assets; and
- Pre-development costs where there is a high degree of probability that the development will go ahead.

These costs are capitalised.

Costs directly associated with the drilling of exploration wells are initially capitalised pending determination of whether potentially economic reserves of hydrocarbons have been discovered. Areas of interest are recognised at the cash generating unit level, being the smallest grouping of assets generating independent cash flows which usually is represented by an individual oil or gas field.

Farm-out arrangements relating to unproved reserves are determined based on the consideration received for the value of the work to be performed in the future. The value of the work to be performed is measured by the cash calls required for future exploration or development work. The remaining interest is determined at the previous cost of the full interest reduced by the consideration received for entering the farm-out agreement. There is no gain recognised on disposal unless the consideration received exceeds the carrying value of the entire asset.

As capitalised exploration expenditure is not available for use, it is not amortised.

Exploration expenditures charged to profit and loss are classified as operating activities while capitalised exploration expenditures are classified as investing activities in the statement of cash flows.

When an oil or gas field has been approved for development, the capitalised exploration expenditure would be reclassified as Oil and Gas Assets in the Statement of Financial Position. Prior to reclassification, capitalised exploration expenditure is assessed for impairment.

Exploration expenditure is reviewed for impairment in accordance with the requirements of IFRS 6, Exploration for and Evaluation of Mineral Resources. The carrying value of exploration expenditure is assessed for impairment at the asset or cash generating unit level (usually represented by an exploration licence) whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Impairment losses are recognised as an expense in the statement of total comprehensive income.

Capitalised exploration expenditure that has previously been impaired is tested for possible reversal of the impairment loss whenever facts or changes in circumstances indicate that the impairment may have reversed.



#### **(h) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

#### **(i) Foreign currency transactions and balances**

##### **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in United States dollar which is Kina Petroleum Limited's functional and presentation currency.

##### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within the "Foreign exchange gains (losses), net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

##### **Group companies**

The results and financial position of foreign subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet
- income and expense on the statement of total comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and;
- all resulting exchange differences are recognised in other comprehensive income

## **(j) Financial assets**

### **Classification**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date. The Group does not have any financial assets classified as financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. The Group's loans and receivables comprise cash and cash equivalents, trade and other receivables and other non-current assets.

### **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised using the effective interest method.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in note 1h.

### **Impairment of financial assets**

For loans and receivables category, the Group first assesses whether there is objective evidence of impairment exists individually for receivables that are individually significant, and collectively for receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses those for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

## **(k) Financial liabilities**

Non-derivative financial liabilities are initially recognised at fair value, net of transaction costs incurred. They are subsequently recognised at amortised cost using the effective interest method.

## **(l) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expenses. Receivables and payables are stated with the amount of GST included.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(m) Employee benefits**

Provision is made for the consolidated group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**(n) Provisions**

Provisions are recognised when the consolidated group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

**(o) Earnings per share**

Basic loss per share is determined by dividing the operating loss after income tax attributable to members of the Parent Entity by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share adjusts the figures used in the determination of basic loss per share by taking into account any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

When the consolidated group has an operating loss after income tax and the conversion of ordinary share capital in respect of potential ordinary shares does not lead to a diluted earnings per share that shows an inferior view of the earnings performance of the consolidated group, than is shown by basic loss per share, the diluted loss per share is reported the same as basic loss per share.

**(p) Share based payments**

The consolidated group may operate equity-settled share-based payment employee share and option schemes, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**(q) Segment reporting**

The consolidated group identifies its reportable operating segments based on the internal reports that are reviewed by the Board of directors. Corporate office activities are not allocated to operating segment and form part of the balance of unallocated revenue, expenses, assets and liabilities.

**(r) Plant and equipment**

Each class of plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

All repairs and maintenance are charged to the statement of total comprehensive income during the financial period in which they are incurred.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and equipment	20 - 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of total comprehensive income.

#### **(s) Joint arrangements**

Joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement has two characteristics: (1) the parties are bound by a contractual arrangement; and (2) the contractual arrangement gives two or more of those parties joint control of the arrangement.

The Group's interests in joint arrangements are treated as a joint operation. The Group recognises its interest in a joint operation by recognising its asset, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation, and its expenses, including its share of any expenses incurred jointly.

#### **(t) Critical accounting estimates and judgments**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Recoverability and impairment of exploration costs*

The application of the Group's accounting policy for exploration and evaluation expenditure necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of total comprehensive income.

##### *Share-based payments*

The determination of the fair value of options granted to certain directors and key management personnel of the Company is determined using an option-pricing model which takes into account relevant inputs and assumptions as described in Note 15c.

	Group		Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
<b>Note 2 – Revenue</b>				
Interest income	43,497	33,316	43,118	32,938
Operator fee income	92,152	173,974	92,152	173,974
	<b>135,649</b>	<b>207,290</b>	<b>135,270</b>	<b>206,912</b>
<b>Note 3 – Net Administration expense</b>				
Salaries and employee benefits	599,732	837,251	127,855	293,557
Professional fees	665,609	642,688	642,710	606,907
Transportation and travel	248,800	182,154	248,800	182,158
Legal and regulatory	106,565	235,392	106,565	235,392
Occupancy and insurance	117,737	104,334	67,213	32,680
Management fees	-	-	359,107	272,673
Administration and other costs	370,143	374,773	329,504	321,540
Charged to exploration expense	(594,433)	(818,080)	(272,455)	(435,548)
	<b>1,514,153</b>	<b>1,558,512</b>	<b>1,609,299</b>	<b>1,509,359</b>
<b>Note 4 - Income tax expense</b>				
(a) The components of income tax expense comprise:				
Benefit from deferred tax	961,548	958,300	990,093	943,554
Deferred tax assets not recognised	(961,548)	(958,300)	(990,093)	(943,554)
	-	-	-	-
(b) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax benefit on the loss from ordinary activities at 30%	(926,680)	(977,945)	(955,338)	(963,313)
Add:				
Tax effect of:				
Expenses not deductible for tax	-	29,640	-	29,640
Deferred tax assets not recognised	961,548	958,300	990,093	943,554
Less:				
Tax effect of:				
Income not assessable for tax	(34,868)	(9,995)	(34,755)	(9,881)
(Income tax expense)/(benefit)	-	-	-	-
<b>Tax losses</b>				
Unused tax losses for which no tax loss has been recognised as a deferred tax asset adjusted for non-temporary differences at 30%	3,573,578	2,612,030	3,573,538	2,583,445

The taxation benefits will only be obtained if:

- (i) the consolidated group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
- (ii) the consolidated group continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affect the consolidated group in realising the benefits from the deductions for the loss.

Group		Company	
2015	2014	2015	2014
US\$	US\$	US\$	US\$

#### Note 5 - Auditors' remuneration

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial reports
- other services

48,681	54,787	48,681	54,787
14,381	8,161	14,381	8,161
<b>63,062</b>	<b>62,948</b>	<b>63,062</b>	<b>62,948</b>

#### Note 6 - Cash and cash equivalents

Cash at bank	<b>10,342,756</b>	15,418,388	<b>10,336,583</b>	15,416,903
--------------	-------------------	------------	-------------------	------------

#### Note 7 - Trade and other receivables

##### Current

Cash calls in advance	<b>49,084</b>	118,661	<b>49,084</b>	118,661
Other receivables	<b>177,441</b>	249,839	<b>175,017</b>	246,174
	<b>226,525</b>	368,500	<b>224,101</b>	364,835

Trade and other receivables do not carry any interest and are due within one year. All trade and other receivables are within credit terms and not considered impaired.

#### Note 8 - Other current assets

Other current assets as at 31 December 2015 pertain to security deposits.

Group		Company	
2015	2014	2015	2014
US\$	US\$	US\$	US\$

**Note 9 – Exploration and evaluation expenditure****Non-current**

Costs carried forward in respect of areas of interest in the exploration phase:

Balance at beginning of the year	<b>20,932,368</b>	21,087,750	<b>20,932,368</b>	21,087,750
Net expenditures incurred	<b>219,482</b>	(155,382)	<b>219,482</b>	(155,382)
Acquisition of interest (in PRL 38)	-	-	-	-
Carrying amount at end of the year	<b>21,151,850</b>	20,932,368	<b>21,151,850</b>	20,932,368

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and commercial exploitation of the tenements.

**Note 10 – Development expenditure****Non-current**

Costs carried forward in respect of areas of interest in the development phase:

Balance at beginning of the year	<b>3,420,098</b>	1,688,076	<b>3,420,098</b>	1,688,076
Expenditures incurred	<b>868,687</b>	1,732,022	<b>868,687</b>	1,732,022
Carrying amount at end of the year	<b>4,288,785</b>	3,420,098	<b>4,288,785</b>	3,420,098

Recoverability of development expenditure is assessed at least annually and in the event of an impairment in carrying value, an adjustment is made accordingly.

	Group		Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
<b>Note 11 – Plant and equipment</b>				
Leasehold improvements, at cost	<b>43,566</b>	43,566	<b>14,657</b>	14,657
Accumulated depreciation	<b>(39,807)</b>	(27,646)	<b>(10,898)</b>	(7,219)
	<b>3,759</b>	15,920	<b>3,759</b>	7,438
Office Equipment, at cost	<b>11,272</b>	11,272	<b>11,272</b>	11,272
Accumulated depreciation	<b>(6,452)</b>	(4,402)	<b>(6,452)</b>	(4,402)
	<b>4,820</b>	6,870	<b>4,820</b>	6,870
Motor Vehicles, at cost	<b>16,635</b>	16,635	<b>16,635</b>	16,635
Accumulated depreciation	<b>(7,690)</b>	(5,185)	<b>(7,690)</b>	(5,185)
	<b>8,945</b>	11,450	<b>8,945</b>	11,450
IT equipment, at cost	<b>37,430</b>	34,632	<b>37,430</b>	34,632
Accumulated depreciation	<b>(26,678)</b>	(18,254)	<b>(26,678)</b>	(18,254)
	<b>10,752</b>	16,378	<b>10,752</b>	16,378
	<b>28,276</b>	50,618	<b>28,276</b>	42,136

**Note 12 – Other Non Current assets**

Other non-current assets comprised cash held by financial institutions as bank guarantees in respect of work program obligations of the Petroleum Prospecting licences which the company operates. These are denominated in Papua New Guinea Kina (PGK) and are interest bearing.

**Note 13 – Trade and other payables**

Trade payables	<b>284,766</b>	29,409	<b>283,664</b>	27,417
Sundry payables and accrued expenses	<b>300,481</b>	1,620,099	<b>266,768</b>	1,595,682
	<b>585,247</b>	1,649,508	<b>550,432</b>	1,623,099

**Note 14 – Loans payable**

Loans payable represent non-interest bearing cash provided by Kina Oil and Gas Limited for the Company's operations. The loans are payable on demand. Movement in loan balances are as follows:

Balance at beginning of reporting year	-	-	<b>511,153</b>	521,070
Repayments during the year	-	-	<b>2,384</b>	(9,917)
Balance at end of reporting year	-	-	<b>513,537</b>	511,153

**Note 15 – Issued capital**

306,898,921 (2014: 306,898,921) fully paid ordinary shares	<b>49,389,418</b>	49,389,418	<b>49,389,418</b>	49,389,418
--	-------------------	------------	-------------------	------------



(a) Fully paid ordinary shares	Group		Company	
	No of shares	US\$	No of shares	US\$
<b>For the period ending 31 December 2015</b>				
Balance at beginning of reporting year	306,898,921	49,389,418	306,898,921	49,389,418
Shares transactions during the year:	-	-	-	-
Balance at end of reporting year	<u>306,898,921</u>	<u>49,389,418</u>	<u>306,898,921</u>	<u>49,389,418</u>
<b>For the period ending 31 December 2014</b>				
Balance at beginning of reporting year	235,519,138	30,359,250	235,519,138	30,359,250
Shares transactions during the year:				
- transfer from reserve for asset acquisition	10,000,000	4,048,610	10,000,000	4,048,610
- issue of shares from private placement	61,379,783	14,981,558	61,379,783	14,981,558
Balance at end of reporting year	<u>306,898,921</u>	<u>49,389,418</u>	<u>306,898,921</u>	<u>49,389,418</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote.

Ordinary shares have no par value.

(b) Options over unissued shares	Group		Company	
	2015	2014	2015	2014
	Number of options			
Balance at beginning of reporting year	1,500,000	2,100,000	1,500,000	2,100,000
Issued during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	(1,500,000)	(600,000)	(1,500,000)	(600,000)
Balance at end of reporting year	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>

1,500,000 expiring 16 December 2015

Exercisable at \$ 0.50 each

The options that expired during the year were those granted to Directors and Key Management Personnel (note 13c).

### (c) Share-based payments

On 16 December 2012, the Company issued 1,500,000 options to the Chief Financial Officer. These options were divided into 3 equal tranches. Tranche 1 vested after a period of 1 year from being employed with the Company. Tranche 2 vested after a period of 2 years of being employed with the Company and tranche 3 vested after 30 months employment with the Company.

These options were not exercised and expired on 16 December 2015.

Grant date	Expiry date	Exercise price	Balance at beginning of the year	Lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
		US\$	Number of options			
16 Dec 2012	16 December 2015	0.50	1,500,000	1,500,000	-	-

#### (d) Capital management

When managing capital, management's objective is to ensure the consolidated group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the consolidated group.

Management adjusts the capital structure to the extent possible to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated group is not subject to any externally imposed capital requirements, nor does it focus on obtaining debt as a key capital management tool.

#### Note 16 - Interests of key management personnel (KMP)

Names and positions held of Company key management personnel in office at any time during the year were:

Richard Robinson (appointed to Board 13 December 2013, and as Chairman on 6 November 2014)	Non-executive Chairman
Richard Schroder (appointed 31 May 2011)	Executive Director
Barry Tan (appointed 1 March 2009)	Non-executive Director
Dr Ila Temu (appointed 31 May 2011)	Non-executive Director
David Vance (appointed 6 November 2014)	Non-executive Director
Alex Mitchell (appointed 1 October 2012)	Chief Financial Officer

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 31 December 2015.

The totals of remuneration paid to KMP of the Group during the year are as follows:

	Group		Company	
	2015	2014	2015	2014
	US\$	US\$	US\$	US\$
Short-term employee benefits	497,436	675,816	142,985	194,898
Post-employment benefits	40,291	47,826	-	-
Share and Option-based payments	67,707	91,320	67,707	91,320
	605,434	814,962	210,692	286,218

#### (a) KMP share holdings

The number of ordinary shares in Kina Petroleum Ltd held directly and indirectly by each key management personnel of the Company during the year is as follows:

	Balance at beginning of year or date of appointment	Purchased	Issued on exercise of options	Balance at end of year or date of resignation or cessation
<b>2015</b>				
Richard Schroder	15,752,381	-	-	15,752,381
Barry Tan	17,520,001	-	-	17,520,001
Dr Ila Temu	510,000	-	-	510,000
Richard Robinson	300,000	-	-	300,000
David Vance	-	-	-	-
<b>Total</b>	<b>34,082,382</b>	<b>-</b>	<b>-</b>	<b>34,082,382</b>

	Balance at beginning of year or date of appointment	Issued on share purchase plan	Issued on exercise of options	Balance at end of year or date of resignation or cessation
<b>2014</b>				
John Prendiville	18,088,667	-	-	18,088,667
Richard Schroder	15,752,381	-	-	15,752,381
Barry Tan	17,520,001	-	-	17,520,001
Dr Ila Temu	510,000	-	-	510,000
Richard Robinson	-	300,000	-	300,000
David Vance	-	-	-	-
<b>Total</b>	<b>51,871,049</b>	<b>300,000</b>	<b>-</b>	<b>52,171,049</b>

(b) KMP Option holdings

	Balance at beginning of year or date of appointment	Granted as compensation	Exercise or Expiry of Options	Balance at end of year or date of resignation or cessation
<b>2015</b>				
Alex Mitchell	1,500,000	-	(1,500,000)	-
<b>Total</b>	<b>1,500,000</b>	<b>-</b>	<b>(1,500,000)</b>	<b>-</b>
<b>2014</b>				
Alex Mitchell	1,500,000	-	-	1,500,000
<b>Total</b>	<b>1,500,000</b>	<b>-</b>	<b>-</b>	<b>1,500,000</b>

Note 17 - Employee benefits

## Superannuation

The consolidated group makes contributions based on each employee's salary to superannuation plans that provide employees with benefits on retirement in accordance with the requirements of superannuation legislations.

## Note 18 - Related party transactions

### Key management personnel

Details of the compensation of key management personnel are included in Remuneration Report section of the Directors' Report.

### Contracts

The company has entered into a consulting agreement with Mr Phil Mulacek, a major shareholder of the company through Pie Holdings L.P., whereby Mr Mulacek will provide commercial and technical services in respect of the oil and gas industry in Papua New Guinea. The contract provides for such services at a rate of K 50,000 per calendar quarter and ends on 31 December 2017.

	Group		Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
<b>Note 19 - Notes to statement of cash flows</b>				
<b>(a) Reconciliation of cash</b>				
Cash at bank and on hand	<b>10,342,756</b>	15,418,388	<b>10,336,583</b>	15,416,903
<b>(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities</b>				
Loss from ordinary activities after income tax	<b>(3,088,936)</b>	(3,259,818)	<b>(3,184,461)</b>	(3,211,043)
Add Back/(Deduct)				
Non-cash expense – shared based payments	<b>67,707</b>	98,800	<b>67,707</b>	98,800
Non-cash expense – depreciation	<b>25,116</b>	29,484	<b>17,245</b>	15,851
Non-cash income – foreign exchange loss/(gain)	<b>185,892</b>	114,143	<b>185,892</b>	114,143
Non operating item – exploration expense relating to investment activity	<b>332,971</b>	380,606	<b>332,971</b>	380,606
Changes in assets and liabilities relating to operations:				
- (Increase)/decrease in receivables	<b>74,806</b>	11,788	<b>73,565</b>	12,539
- Increase/(decrease) in trade and other payables	<b>(45,489)</b>	(202,168)	<b>70,590</b>	(37,337)
Net cash (used in)/provided by operating activities	<b>(2,447,933)</b>	(2,827,165)	<b>(2,436,491)</b>	(2,626,441)

**Note 20 - Segment information****(a) Identification of reportable segments**

The consolidated group has identified its reportable segments based on the location of its exploration assets within Papua New Guinea.

- Petroleum Prospecting License (PPL) 337 – located in the North New Guinea Basin which is a frontier basin that has minimal experienced minimal exploration and has a surface anticline with numerous gas seeps.
- PPLs 338, 339 and 340 – located in the Southern Papuan Basin which is a proven hydrocarbon basin
- PPLs 435, 436 and 437 – located in the Western Papuan Basin, adjacent to PRL 21.
- Petroleum Retention License (PRL) 21 – located in the Western Province of PNG and contains two wet gas discoveries. The Group has a 15% interest in PRL 21 and is covered by a Joint Operating Agreement.
- Petroleum Retention License (PRL) 38 – located in the Gulf of Papua and containing the Pandora Gas fields. The Group has a 25% interest in PRL 38 and at the date of this report is negotiating a Joint Operating Agreement.

**(b) Segment information**

31 Dec 2015	Balance at beginning of the year	Exploration costs incurred	Exploration costs expensed	Development costs incurred	Cost of Acquisition	Balance at year end	% of total expenditure
	US\$	US\$	US\$	US\$	US\$	US\$	%
PPL 337	19,205	149,150	(149,150)	-	-	19,205	0.08
PPL 338	13,767	202,605	(202,605)	-	-	13,767	0.05
PPL 339	25,017	78,694	(78,694)	-	-	25,017	0.10
PPL 340	16,205	125,660	(125,660)	-	-	16,205	0.06
PPL 435	26,611	117,575	(117,575)	-	-	26,611	0.10
PPL 436	24,604	281,010	(281,010)	-	-	24,604	0.10
PPL 437	5,694	69,377	(69,377)	-	-	5,694	0.02
PRL 21	20,136,042	609,876	(390,394)	868,687	-	21,224,211	83.43
PRL 38	4,085,321	42,368	(42,368)	-	-	4,085,321	16.06
	<b>24,352,466</b>	<b>1,676,315</b>	<b>(1,456,833)</b>	<b>868,687</b>	<b>-</b>	<b>25,440,635</b>	<b>100.00</b>

31 Dec 2014	Balance at beginning of the year	Exploration costs incurred	Exploration costs expensed	Development costs incurred	Cost of Acquisition	Balance at year end	% of total expenditure
	US\$	US\$	US\$	US\$	US\$	US\$	%
PPL 337	19,205	170,894	(170,894)	-	-	19,205	0.08
PPL 338	13,767	111,746	(111,746)	-	-	13,767	0.06
PPL 339	25,017	145,961	(145,961)	-	-	25,017	0.10
PPL 340	16,205	240,771	(240,771)	-	-	16,205	0.07
PPL 435	26,611	270,189	(270,189)	-	-	26,611	0.11
PPL 436	24,604	251,472	(251,472)	-	-	24,604	0.09
PPL 437	5,694	124,014	(124,014)	-	-	5,694	0.03
PRL 21	18,596,113	188,513	(380,606)	1,732,022	-	20,136,042	82.69
PRL 38	4,048,610	36,711	-	-	-	4,085,321	16.77
	<b>22,775,826</b>	<b>1,540,271</b>	<b>(1,695,653)</b>	<b>1,732,022</b>	<b>-</b>	<b>24,352,466</b>	<b>100.00</b>

**Note 21 - Financial risk management**

The Board of Directors has overall responsibility for the establishment and oversight of the consolidated group's risk management framework. The consolidated group's risk management policies are established to identify and analyse the risks faced by the consolidated group, to set appropriate risk limited and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the consolidated group's activities.

The consolidated group's activities expose it to a limited number of financial risks as described below. The consolidated group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the consolidated group. To date, the consolidated group has not had the need to utilise derivative financial instruments such as foreign exchange contracts or interest rate swaps to manage any risk exposure identified. The consolidated group holds the following financial instruments.

	Group		Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
<b>Financial assets</b>				
Cash and cash equivalents	<b>10,342,756</b>	15,418,388	<b>10,336,583</b>	15,416,903
Trade and other receivables	<b>226,525</b>	368,500	<b>224,101</b>	364,835
Other non-current assets	<b>227,220</b>	264,390	<b>227,220</b>	264,390
<b>Total</b>	<b>10,796,501</b>	16,051,278	<b>10,787,904</b>	16,046,128
<b>Financial liabilities</b>				
Trade and other payables	<b>585,247</b>	1,649,508	<b>550,432</b>	1,623,099
Loans payable		-	<b>513,537</b>	511,153
<b>Total</b>	<b>585,247</b>	1,649,508	<b>1,063,969</b>	2,134,252

**Specific financial risk exposures and management**

The main risks the consolidated group is exposed to, through its financial instruments, are interest rate risk, foreign exchange risk, credit risk and liquidity risk.

**Interest rate risk**

The consolidated group's main interest exposure arises from cash at bank and bank term deposits as at the reporting date, the consolidated group had the following cash profile.

	Group		Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Cash in bank	<b>10,342,756</b>	15,418,388	<b>10,336,583</b>	15,416,903
Other non-current assets	<b>227,220</b>	264,390	<b>227,220</b>	264,390
Cash and cash equivalents	<b>10,569,976</b>	15,682,778	<b>10,563,803</b>	15,681,293

The consolidated group's main interest rate risk arises from cash and cash equivalents. Cash maintained in short term deposits earn a floating interest rate of approximately 2.0% (2014: 2.5%). The impact of changes in interest rates on cash flow is not expected to be material due to the short term nature of cash equivalents.

## Guarantees

Kina Petroleum Limited has not entered into any guarantees in the current or previous financial year in relation to the debts of its subsidiary.

## Contractual commitments

Kina Petroleum Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment as at 31 December 2015.

## Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The Group is exposed to foreign exchange risk arising mainly from cash and cash equivalents denominated in foreign currencies. As at end of year, the Group's exposure to foreign currency risk is as follows:

	Group		Company	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Cash in bank				
In Papua New Guinea (PNG) Kina	<b>37,606</b>	74,227	<b>37,606</b>	74,227
In Australian dollar	<b>578,049</b>	3,171,876	<b>571,877</b>	3,170,392
Short-term deposit				
In Australian dollar	-	-	-	-
Other non-current assets				
In PNG Kina	<b>227,220</b>	264,390	<b>227,220</b>	264,390
	<b>842,875</b>	3,510,493	<b>836,703</b>	3,509,009

The impact of a possible reasonable change in US dollar exchange rates on the Group's post-tax profit as a result of foreign currency exchange gains/losses, with all other variables held constant is shown on the table below. The sensitivity rate is based on the average volatility of the applicable foreign currency against the US dollar for the previous quarter.

	Sensitivity rate	Group		Company	
		2015 US\$	2014 US\$	2015 US\$	2014 US\$
PNG Kina-denominated Cash and cash equivalents	1% (2014 – 1%)	<b>2,648</b>	3,386	<b>2,648</b>	3,386
Australian dollar-denominated Cash and cash equivalents	2% (2014 – 3%)	<b>11,561</b>	63,408	<b>11,437</b>	63,408
Total increase/decrease in post-tax profit		<b>14,209</b>	66,794	<b>14,085</b>	66,794

**Credit risk**

Credit risk is managed on a consolidated group basis. Credit risk arises from cash and cash equivalents, deposits and banks as well credit exposure including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. In respect of the parent entity, credit risk relates to loans with subsidiary and associated companies. In order to achieve stated corporate objectives, the parent entity provides financial support to subsidiary and associated companies, but only to the level, which the Board considers necessary, to achieve these objectives and meets agreed conditions. Any loans to subsidiary and associated companies considered to be unrecoverable have been provided for.

**Liquidity risk**

The consolidated group maintains sufficient liquidity by holding cash in readily accessible accounts. The consolidated group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The consolidated group has no access to borrowing facilities at the reporting date. The consolidated group's financial assets \$10,796,501 (2014: \$16,051,278) and financial liabilities \$585,247 (2014: \$1,649,508) have a maturity within 12 months of 31 December 2015.

**Fair value**

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair values unless otherwise noted, determined in accordance with the accounting policies disclosed in the Statement of Accounting Policies.

**Note 22 - Earnings per share**

	2015 US\$	2014 US\$
Operating loss after income tax used in the calculation of basic and diluted loss per share	3,088,936	3,259,818
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	306,898,921	254,329,790
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted loss per share	306,898,921	255,829,790

**Note 23 - Controlled Entities****Controlled Entities Consolidated**

Subsidiaries of Kina Petroleum Limited	Country of incorporation	Percentage Owned (%)	
		2015	2014
Kina Oil and Gas Pty Limited	Australia	100	100
Kina Petroleum (PRL 21) Limited	Papua New Guinea	100	-
Kina Petroleum (PRL 38) Limited	Papua New Guinea	100	-
Kina Petroleum (PPL 337) Limited	Papua New Guinea	100	-
Kina Petroleum (PPL 338) Limited	Papua New Guinea	100	-
Kina Petroleum (PPL 339) Limited	Papua New Guinea	100	-
Kina Petroleum (PPL 340) Limited	Papua New Guinea	100	-
Kina Petroleum (PPL 435) Limited	Papua New Guinea	100	-
Kina Petroleum (PPL 436) Limited	Papua New Guinea	100	-
Kina Petroleum (PPL 437) Limited	Papua New Guinea	100	-

Kina Oil and Gas Pty Limited was acquired on 24 May 2011 through the issue of 10,035,801 shares at a cost of US\$765,808.



Kina Petroleum (PRL 21) Limited was acquired on 19 October 2015 for consideration of K 1.00  
 Kina Petroleum (PPL 339) Limited was acquired on 28 October 2015 for consideration of K 1.00  
 Kina Petroleum (PRL 38) Limited and Kina Petroleum (PPL 337) Limited were incorporated on 10 November 2015, each with share capital of US\$ 0.34.  
 The other subsidiaries noted above were incorporated on 11 November 2015, each with share capital of US\$ 0.34.

The PNG incorporated subsidiaries of Kina Petroleum Limited were dormant at 31.12.15

The assets and liabilities recognised as a result of the acquisition of Kina Oil and Gas Pty Limited ("KOGPL") and other subsidiaries are as follows:

	<b>Fair value</b>
	<b>US\$</b>
KOGPL - Cash and cash equivalents	624,219
KOGPL - Receivables	178,220
KOGPL - Trade and other payables	(36,631)
KOGPL - Net identifiable assets acquired	765,808
Other Subsidiaries – net assets acquired	3
<b>Total Net Assets of Subsidiaries</b>	<b>765,811</b>

The net assets of Kina Oil and Gas Pty Limited as at 31 December 2015 was US\$487,316, and contributed revenues of \$379 and net profit of \$95,525 to the Group for the year ended 31 December 2015.

#### **Note 24 - Joint operations**

The Company has entered into a joint operations agreement for PRL 21, and PPLs 337 & 437 in relation to the exploration, appraisal development, product and disposition of petroleum covered by those licences. The Company has a 15% participating interest in PRL 21, a 90% interest in PPL 337 and a 57.5% interest in PPL 437 and accounts for its assets owned, liabilities incurred and share in exploration expenditures. The Group's assets in the joint operations are shown on the table below:

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Current assets</b>		
Trade and other receivables	<b>64,567</b>	131,736
<b>Non current assets</b>		
Exploration, evaluation and development expenditure	<b>23,448,141</b>	22,027,001
<b>Total assets employed in the joint operations</b>	<b>23,512,708</b>	22,158,737
<b>Non current liabilities</b>		
Trade and other payables	<b>201,848</b>	1,257,600
<b>Total net assets (liability) employed in the operations</b>	<b>23,310,860</b>	20,901,137

#### **Note 25 - Events occurring after the reporting period**

Subsequent to balance date, the Minister for Petroleum and Energy in Papua New Guinea offered an extension to the PPL 337 licence. The company has opted to decline the offer of the extension and has relinquished its interest in the licence. There were no other material events occurring post balance date.

The financial report was authorised for issue on 23 March 2016 by the Board of Directors.

**Note 26 – Reserves**

The foreign currency valuation reserve pertains to translation adjustment arising from the consolidation of the subsidiary's balances. The translation adjustment debited to reserves during the year amounted to US\$106,585 (2014: credit of \$US 3,467).

Reserves also include a movement in the value of shares which may be granted to non-executive directors and as well as the recognised fair value of share options for key management personnel. Total movement recognised in respect of such shares and share options during the year amounted to a credit of US\$67,707 (2014: credit of US\$98,800).

Group		Company	
2015	2014	2015	2014
US\$	US\$	US\$	US\$

**Note 27 – Capital and leasing commitments****(a) Operating lease commitments**

Non-cancellable operating leases contracted for but not recognised in the financial statements

Within one year	<b>97,617</b>	70,940	<b>46,174</b>	49,037
Later than one year but not later than 2years	<b>87,666</b>	5,355	<b>33,962</b>	-
Later than 2 years	-	-	-	-

The property lease is a non-cancellable lease with a 2-year term, with rent payable monthly in advance.

**(b) Expenditure commitments**

Minimum work commitments due in less than one year comprise:

- Completion of Seismic Re-processing in 2 licences
- Completion of 2 Seismic surveys.

The minimum work commitments due later than one year but not later than 5 years require:

- The drilling of 6 wells
- Completion of 1 seismic surveys

There are no firm work commitments due later than 5 years.

These commitments may be subject to renegotiation or may be farmed out or the licences may be relinquished.

**Note 28 - Company Details****AUSTRALIAN REGISTERED OFFICE**

Suite 3, Level 6  
9 – 13 Young St  
Sydney NSW 2000

**PRINCIPAL PLACE OF BUSINESS**

**Australia**  
Suite 3, Level 6  
9 – 13 Young St  
Sydney NSW 2000

**PAPUA NEW GUINEA REGISTERED OFFICE**

Portion 359  
Scratchley Road  
Badili, National Capital District  
Papua New Guinea

**PAPUA NEW GUINEA**

Portion 359  
Scratchley Road  
Badili, National Capital District  
Papua New Guinea

In accordance with a resolution of the Directors of the Company, the Directors declare that:

1. the attached financial statements and notes thereto of the Company and the consolidated entity, as set out on pages 23 to 49, are in accordance with the Papua New Guinea Companies Act 1997 and:
  - (a) comply with International Financial Reporting Standards (IFRS);
  - (b) give a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2015 and of the performance for the year ended on that date; and
  - (c) the attached financial statements and notes thereto comply with the reporting requirements of the Australian Securities Exchange Listing rules and the Port Moresby Stock Exchange Listing rules
2. the Managing Director and Chief Financial Officer have each declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with the Papua New Guinea Companies Act 1997;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year comply and give a true and fair view.
3. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated this 29 day of March 2016



Mr Richard Schroder  
Managing Director

**Supplementary information****Additional disclosures for PNG Investors**

In accordance with Accounting Standards Board Directive 2 (ASBD 2) and the Investment Promotion Authority, the Company has prepared US dollar financial statements, being their measurement and presentation currency. The following supplementary information is however required and is expressed in PNG Kina terms:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>Kina</b>	Kina	<b>Kina</b>	Kina
Revenue	<b>383,968</b>	545,500	<b>382,894</b>	544,505
Net loss	<b>(8,345,991)</b>	(8,578,468)	<b>(8,616,382)</b>	(8,450,113)
Total assets	<b>111,804,224</b>	107,184,872	<b>114,136,975</b>	109,176,336
Total liabilities	<b>1,802,980</b>	4,367,243	<b>3,277,786</b>	5,650,654
Net assets	<b>110,001,245</b>	102,817,629	<b>110,859,189</b>	103,525,682



## ***Independent Auditor's Report*** to the shareholders of Kina Petroleum Limited

### ***Report on the financial statements***

We have audited the accompanying financial statements of Kina Petroleum Limited (the Company), which comprise the statements of financial position as at 31 December 2015, the statements of total comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2015 or from time to time during the financial year.

### ***Directors' responsibility for the financial statements***

The Directors are responsible for the preparation of these financial statements such that they give a true and fair view in accordance with generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the accompanying financial statements:

1. comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
2. give a true and fair view of the financial position of the Company and the Group as at 31 December 2015, and their financial performance and cash flows for the year then ended.



## ***Independent Auditor's Report***

Kina Petroleum Limited

### ***Report on other legal and regulatory requirements***

The Companies Act 1997 requires in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2015:

1. we have obtained all the information and explanations that we have required;
2. in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records; and
3. we have no relationship with, or interests in, the Company or any of its subsidiaries other than in our capacities as auditor and tax advisor. These services have not impaired our independence as auditor of the Group.

### ***Restriction on distribution or use***

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'JS', is written over a faint, larger version of the PricewaterhouseCoopers logo.

Jonathan Seeto

Partner

Registered under the Accountants Registration Act 1996

Port Moresby

29 March 2016

## ADDITIONAL INFORMATION

Additional Australian Securities Exchange information as at 20 March 2016.

### Number of holders of equity securities

#### Fully Paid Ordinary Shares

306,898,921 fully paid ordinary shares are held by 913 individual shareholders.

All issued ordinary shares carry one vote per share.

#### Options

Nil.

Distribution of holders of equity securities.

Category (size of holdings)	Number of Holders	Number of Securities
1 - 1,000	44	4,274
1,001 - 5,000	128	383,738
5,001 - 10,000	126	1,044,392
10,001 - 100,000	449	16,103,306
100,001 and over	166	289,363,211
<b>TOTAL</b>	<b>913</b>	<b>306,898,921</b>
Holding less than a marketable parcel		

#### Substantial shareholders

The names of the substantial shareholders listed in the Kina Petroleum Limited register as at 20 March 2016 were:

Holders	Fully paid ordinary shares	
	Number	Percentage
Citicorp Nominees Pty Limited	78,930,444	25.72%
National Nominees Limited	28,004,837	9.13%
Barry James Tan	17,520,001	5.71%
	<b>124,455,282</b>	<b>40.56%</b>

## ADDITIONAL INFORMATION

### Top 20 Holders – Quoted Fully Paid Ordinary Shares as at 20 March 2016

Rank	Name	Units	% of Units
1	CITICORP NOMINEES PTY LIMITED	78,930,444	25.72%
2	NATIONAL NOMINEES LIMITED	28,004,837	9.13%
3	BARRY JAMES TAN	17,520,001	5.71%
4	DB MANAGEMENT PTY LTD	12,767,004	4.16%
5	MACQUARIE BANK LIMITED	12,644,660	4.12%
6	MR RICHARD JOHN SCHRODER & MRS JENNIFER MARY SCHRODER	10,042,857	3.27%
7	JSC INVESTMENTS LTD	10,000,000	3.26%
7	PEWOVE PTY LIMITED	10,000,000	3.26%
8	PROFESSIONAL NOMINEES PTY LTD	9,537,000	3.11%
9	LUAGA PTY LTD	8,338,667	2.72%
10	LIN XIAO LANG	8,243,689	2.69%
11	EQUITAS NOMINEES PTY LIMITED	5,500,000	1.79%
12	MR RICHARD SCHRODER	5,000,000	1.63%
13	KUMUL ENERGY RESOURCES LTD	4,000,000	1.30%
14	JADE RABBIT HOLDINGS LIMITED	3,330,406	1.09%
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,510,833	0.82%
16	KMPC INVESTMENTS	2,296,691	0.75%
17	GENTILLY HOLDINGS PTY LTD	2,042,857	0.67%
18	EQUITAS NOMINEES PTY LIMITED	1,986,700	0.65%
19	BOWERBIRD CONSOLIDATED PTY LIMITED	1,870,118	1.63%
20	PALERYDER PTY LTD	1,500,000	0.49%
	<b>TOTAL</b>	<b>236,066,764</b>	<b>76.92%</b>
	<b>Balance of Register</b>	<b>70,832,157</b>	<b>23.08%</b>
	<b>Grand TOTAL</b>	<b>306,898,921</b>	<b>100.00%</b>



## ADDITIONAL INFORMATION

### DIRECTORS

Mr Richard Robinson	Non Executive Chairman
Mr Richard Schroder	Managing Director
Mr Barry Tan	Non Executive Director
Dr Iia Temu	Non Executive Director
Mr David Vance	Non Executive Director

### COMPANY SECRETARY

Mr Peter Impey

### AUDITORS

Pricewaterhouse Coopers  
6<sup>th</sup> Floor PwC Haus, Harbour City  
Konedobu Port Moresby  
Papua New Guinea

### SHARE REGISTRY

Link Market Services Limited  
Level 12  
680 George Street  
Sydney NSW 2000

### REGISTERED OFFICE - Australia

Suite 3, Level 6,  
9 – 13 Young St  
Sydney NSW 2000

### LAWYERS - Australia

HWL Ebsworth  
Level 14, Australia Square  
264-278 George Street  
Sydney NSW 2000

### REGISTERED OFFICE – Papua New Guinea

Portion 359  
Scratchley Road  
Badili, National Capital District  
Papua New Guinea

GK Alexander  
PO Box 379  
Rangiora 7440  
North Canterbury, New Zealand

### PRINCIPAL PLACE OF BUSINESS – Australia

Suite 3, Level 6  
9 – 13 Young St  
Sydney NSW 2000

### LAWYERS – Papua New Guinea

Gadens Lawyers  
Pacific Place  
Cnr Musgrave Street and Champion Parade  
Port Moresby  
Papua New Guinea

### PRINCIPAL PLACE OF BUSINESS – Papua New Guinea

Portion 359  
Scratchley Road  
Badili, National Capital District  
Papua New Guinea