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**Kina**  
PETROLEUM LIMITED

**KINA PETROLEUM LIMITED  
HALF YEAR REPORT**

COMPANY NO. 1-63551 ARN 151 201 704

FOR THE HALF YEAR ENDED 30 JUNE 2015

The Directors present their half year report on the Company and its controlled entity for the half year ended 30 June 2015.

## DIRECTORS

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

**Mr Richard Robinson, Non-Executive Chairman appointed 11 December 2013 (appointed Chairman 6 November 2014)**

**Mr Richard Schroder, Managing Director appointed 31 May 2011**

**Dr Ila Temu, Non-Executive Director appointed 31 May 2011**

**Mr Barry Tan, Non-Executive Director appointed 1 March 2009**

**Mr David Vance, Non-Executive Director appointed 6 November 2014**

### Half year report to the Australian Stock Exchange

Kina Petroleum Limited (ASX: "KPL") currently maintains working interests in Petroleum Retention Licences (PRLs) 21 & 38 and 7 exploration licences in PNG. Operations during the half year involved exploration and appraisal activities on these licenses.

#### *Operational Highlights and Updates*

The first half of 2015 saw drilling in the PPL 337 licence, with the Raintree-1 and then Kwila-1 wells. Whilst these wells were unsuccessful, they represented the first wells drilled since Kina's IPO in a Kina-operated licence. Pleasingly, drilling operations took place without interruption or safety issues, using technology that stands to significantly reduce the cost of drilling not only in Kina's portfolio but also across PNG. Also of note in the 6 months to June 2015 was Oil Search's exercise of their option to acquire equity in PPL 339. Kina sees this as testament to the value and prospectivity of the acreage and we look forward to undertaking a drilling program in 2016.

The extensive seismic reprocessing program in PPL 338 and refocussed technical effort on PPL 340 has also bolstered the prospectivity of these licences ahead of farmout activity.

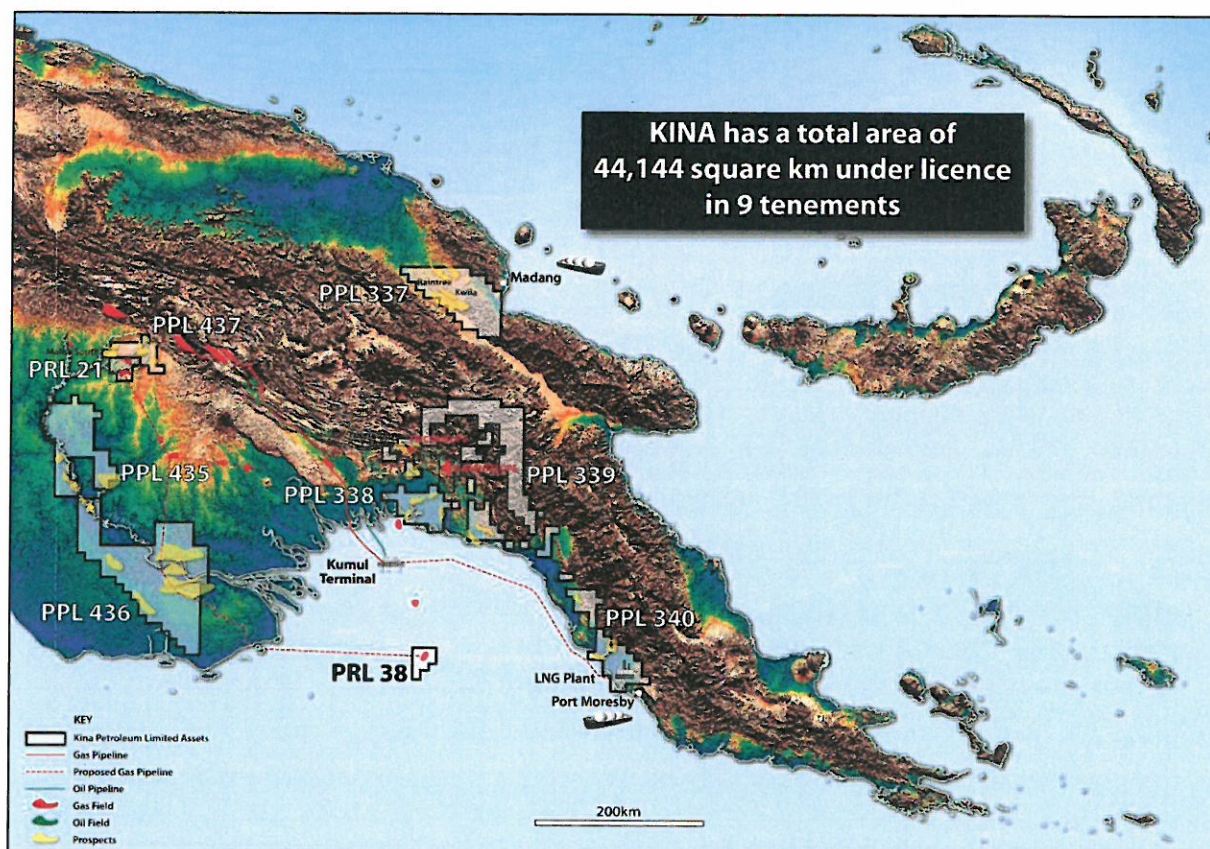
In PNG more broadly, the Memorandum of Understanding between the government and the equity holders in the P'nyang field, along with the potential acquisition of equity in that field by other PNG LNG partners, signalled the continued interest in and strength of the Oil and Gas sector in PNG despite the current commodity price environment.

Highlights for the half year ended 30 June 2015:

- **PRL 21 – In this period of low oil prices, the PRL 21 project development team continues to focus on cost reduction and value engineering studies to further optimize the field economics ahead of FID.**
- **PRL 38 – Kina continued its evaluation of exploration targets around the Pandora A and B fields.**
- **PPL 337– Raintree-1 and Kwila-1 wells were drilled. Numerous gas shows were encountered during drilling of Raintree, although the interpreted carbonate reef target was absent. The direct hydrocarbon indicator on seismic down-dip of the Kwila location remains to be explained.**
- **PPL 437 - Prospect analysis of Malisa South continued, coincident with economic and risk evaluation.**
- **PPL 338 & 339 – In PPL 339, Oil Search farmed in and will conduct a drilling program in 2016. In PPL 338, a significant seismic reprocessing program was undertaken.**
- **PPLs 435 & 436 – A major seismic reprocessing program of all available vintage data is underway; Processing has focussed on the Aiambak & Lake Murray East leads in PPL435, and Dalbert & Sturt leads in PPL 436.**

- PPL 340 - commenced planning of a multi-well program (along with PPLs 338 & 339) utilising a rig similar to that recently working in PPL 337. KPL has also progressed farm-in discussions.

#### Map of Kina Petroleum's licence interests



#### Operational Highlights and Updates (cont.)

During the first half of 2015, the focus of the PRL 21 joint venture has been the continuation of its engineering and commercial review of the proposed development of the Eivala and Ketu fields. These reviews have focussed on refinement of the development plan – both subsurface and topside – to optimise capital spend and expected production. The review process will continue throughout the second half of 2015.

A key development in the acreage adjacent the PPLs 338 and 339 was the selection, and subsequent announcement in early July, by the Elk/Antelope joint venture of the facility sites proposed for the Papua LNG project. With upstream facilities to be located around the Purari River, this presents a potential commercialisation pathway for discoveries in PPL 338 or 339.

#### Petroleum Retention Leases (PRLs) 21 & 38 – A Growing Gas Story

KPL has a 15% working interest in PRL 21 and a 25% working interest in PRL 38.

With between 50 and 60 mmbbls of liquids and around 1 TCF of gas recoverable in PRL 21 and around 800 BCF of gas in PRL 38, the long term value of this acreage remains substantial and this is the basis for the continuation of engineering work, commercial assessment and liaison with government and landowners despite the current oil price.

The latter part of 2014 saw the completion of a seismic survey in PRL 21 aimed at delineating optimal locations for development drilling. The data from that survey have been interpreted and reinforce the previous resource



assessments for the Elevela, Ketu and Tingu fields. The data has also been integrated into the development plan submitted to the government.

PRL 38, of which KPL has 25%, is located in the offshore Gulf of Papua and contains the Pandora gas discoveries. On the basis of those discoveries, the licence was noted by the previous tenement holders to have a multi BCF accumulation of gas, and Kina, along with other JV partners, is focussed on confirming this from available technical data.

The Pandora 1X discovery in PRL 38 successfully tested part of a reef system that grew throughout the Miocene offshore the paleo-PNG coastline. Pandora and Antelope represent an extension of a Miocene barrier reef system that has been buried by sediments shed from the mountain belt that developed throughout the late Tertiary era due to collisions between the Australian and Pacific plates. In terms of resource size, Pandora and Antelope are end members of a likely population of reef traps that will be found in the eastern Papuan Basin.

Further untested resource upside is recognised in PRL 38 with additions possible between the 2 reefs already drilled. Pandora A and B reefs are independent structures but have a common gas water contact and Kina believes the reefs are in pressure communication. A further seven undrilled reef structures are recognised in PRL 38, which Kina believes offer further significant resource upside.

### **Petroleum Prospecting License (PPL) 337**

*Kina interest: 90%, subject to farmout arrangements with Heritage Oil Ltd*

During the first half of the year, Kina was carried by Heritage through an uncapped, two-well drilling program in PPL 337. This was a significant milestone for KPL being the first exploration drilling to be undertaken on KPL acreage outside of PRL 21. Furthermore, the Raintree and Kwila wells represented the first drilling activity in the North New Guinea Basin for over 20 years.

As at the end of the half year, the Raintree-1 well had been drilled and logged to a TD of 1150m and had been plugged and abandoned; the Kwila-1 well was underway. Whilst it was disappointing that Raintree-1 did not intersect hydrocarbon in the primary objective Kina was encouraged by the presence of significant gas shows in a number of shallow good quality porous sands.

Results of the post-well analysis and interpretation will be reported in due course. The significant gas shows in Raintree 1 and prolific gas seeps on the northern flank of the Banam Anticline give KPL confidence that gas generation is taking place within the basin and there is a need to take information learnt from these wells to advance the play concepts and high grade the remaining prospects in the licence.

Subsequent to the end of the quarter, Kwila-1 was drilled and logged to a TD of 1000m and plugged and abandoned. The rig was then demobilised to Madang and both sites were being remediated. Kwila-1 was a valid test of the pre-drill objectives. Unfortunately gas was not present in the prognosed reservoir at Kwila 1.

Completion of the drilling program entitled Heritage to acquire a further 60% participating interest in, and operatorship of, PPL 337 however subsequent to balance date, Heritage have advised that they wish to withdraw from the licence. Kina will therefore retain, in full, its existing 90% participating interest and Heritage's existing 10% participating interest will be transferred back to Kina, subject to government approval.

### **Petroleum Prospecting Licenses (PPLs) 338**

*Kina Interest: 100%*

PPL 338 is located in the eastern Papuan Basin, to the west and south of the Elk-Antelope gas field in PRL 15. During the half year, KPL commenced a large seismic reprocessing program of approximately 510 line km. The pleasing initial results from reprocessing encouraged KPL to increase the reprocessing program to 788 line km. Data from numerous programs and vintages is now being re-processed to high-grade proposed drilling locations. Several of the proposed targets are less than 1500m depth. KPL has commenced planning a multi-well program using a small fit for purpose rig.

Kina interprets a significant prospect at Greater Triceratops in northern PPL 338: up-dip and along trend from the Triceratops-1 discovery and Bobcat-1. Triceratops-3, recently spudded by InterOil, is only three kilometres from the PPL 338 boundary and could extend the known Triceratops structure into PPL 338.

Further south in PPL 338, KPL recognises two very large prospects: Mangrove, which now includes a previously separate closure called Crocodile, and Nipa which is a large closure between Mangrove to the north and the Uramu gas field to the south. A full re-appraisal of Mangrove and Nipa will be undertaken following completion of the seismic reprocessing.

### **Petroleum Prospecting Licenses (PPLs) 339**

*Kina Interest: 30% in PPL 339 (Oil Search's election to acquire 70% remains subject to government approval).*

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

In May, Oil Search exercised its option to participate in PPL 339 and subject to government approval will acquire a 70% participating interest in and operatorship of the licence. KPL's retained participating equity will be 30%. In consideration for the acquisition of this participating interest, Oil Search will undertake a drilling program within the licence, partially funding KPL through the program.

Towards the end of the half year, KPL commenced reprocessing approximately 80 line km of vintage seismic within PPL 339. This data is being reprocessed in conjunction with PPL 338 to high-grade proposed drilling locations. As the proposed targets within PPL 339 are relatively shallow (less than 1500m depth) discussions relating to a multi-well program utilising a rig similar to that recently working in PPL 337 have commenced.

### **Petroleum Prospecting License ("PPL") 340 (Kina Interest 100%)**

*Kina interest: 100%*

PPL 340 is located at the eastern edge of the Papuan Basin on a mobile zone between an accretionary wedge to the east and the Australian plate in the west. Interpretation of the 2014 aerogravity and aeromagnetic survey over PPL 340 has high-graded three structural leads within PPL 340: Port Moresby, Rorona North and Lizard. KPL has commenced planning a multi-well program for PPLs 338, 339 and 340 utilising a rig similar to that recently working in PPL 337. KPL has also progressed farm-in discussions.

The Lizard prospect is a shallow objective (approx. 650m depth) and is 100km by road from the capital of Port Moresby. The prospect is adjacent to a structural trough which is capable of generating thermogenic hydrocarbons, based on Wahoo-1 and Tovala-1 results.

Rorona North prospect has a shallow objective of a Miocene or Pliocene-age reef anomaly with reservoir at 450m. The area of closure is approximately 50 km<sup>2</sup> and vertical relief is 100 meters. Rorona North is less than 50km by road from Port Moresby city.

Port Moresby prospect is a shallow objective (approx. 800m depth west of the Port Moresby Uplift). The prospect extends offshore beyond the PPL 340 boundary. KPL believes that a valid test of Port Moresby can be drilled from an onshore location.

Fluid inclusion analysis of the Barune sandstone outcrops confirm that oil migration has occurred and this high grades the Barune Sand in the Port Moresby Prospect as an oil target. KPL will commence a reprocessing program of available open file seismic data in the second half of 2015 ahead of a farmout.

### **Petroleum Prospecting Licenses ("PPLs") 435 & 436**

*Kina Interest: 50% in both licences*

A proprietary integrated aerogravity and aeromagnetic data set now provides full gravity and aeromagnetic coverage over PPLs 435 & 436. Areas of primary interest remain the Oriomo High which contains the Dalbert, Alligator, Sturt and Oriomo prospects in PPL 436 and the Aiambak and Lake Murray East prospects in PPL 435.

Aerogravity and aeromagnetic data show a major change to the west of the Bosavi Lineament causing the basin bounding Fly River fault to change direction to north-south. This dog leg in the Fly River fault system establishes a zone of significance at Aiambak in PPL 435.

Coincident with the Aiambak anomaly appears to be inversion along the Fly River fault which uplifts late Jurassic and early Cretaceous reservoir rocks south of wet gas flows in Lake Murray-1. Seismic reprocessing will be undertaken on the Lake Murray East feature comprising a simple drape over a basement high.

The Oriomo area of PPL 436 remains very prospective based on interpretation of the aeromagnetic and aerogravity data. It is a focus for oil from the east being up-dip and on the drainage path from the Panakawa oil seep. It has multiple Jurassic and Early Cretaceous reservoir targets all at depths of 1800m or shallower. These targets may also be suitable for the shallow drilling campaign being proposed for PPLs 338-340.

The focus of current seismic interpretation is to confirm the stratigraphy and thickness of reservoir sequences at Aiambak, Lake Murray East, Dalbert, Alligator, Sturt and Oriomo. Kina believes a viable oil source is present within the structures surrounding the prospect fairway which was defined by KPL's 2014 aerogravity program.

The Panakawa oil seep and the reported presence of oil in the Wuroi-1 well bore has encouraged KPL to re-investigate several old wells to define the source rock story. Furthermore a high geothermal gradient at Aramia-1, presumably related to Permo-Triassic igneous basement, enhances the oil maturity of adjacent early tertiary and Late Cretaceous source rocks.

Leads identified to date are all targeting wet gas from multiple reservoir intervals and, given the size of the structures, may be capable of hosting multi-TCF accumulations of gas and hundreds of millions of barrels of oil. Any hydrocarbon discoveries in PPL 435 and 436 will be attractive due to proximity to the Fly River and the Aiambak port and, in the event of a gas discovery, are well placed for any future Western Province gas aggregation strategy.

Subsequent to 30 June, Cott withdrew from both licence and Kina accepted the transfer of their interests, taking Kina to a participating interest level of 100%. At the date of this report, the transfer was awaiting approval by the government.

#### **Petroleum Prospecting License ("PPL") 437**

*Kina Interest: 57.5%*

In late 2014 Cott Oil and Gas (PNG) Limited opted to surrender its 20% holding in PPL 437. Kina and Heritage then applied for ministerial approval for transfer of Cott's holding on a pro rata basis; this was granted with KPL receiving 7.5% and Heritage receiving 12.5%.

In accordance with the terms of the PPL 437 Farmin Agreement, Heritage, on completion of 100km of seismic acquisition in late 2014 (Gosur Seismic Survey) also earned the right to acquire 30% from Kina's original 80% holding. Ministerial approval of this transfer was received in the first half of 2015 taking Heritage's participating interest to 42.5% with KPL's reducing to 57.5%.

Interpretation of Gosur seismic is largely complete and Malisa South was confirmed along trend from, and analogous to, the Tingu structure in adjacent PRL 21. Malisa South is the focus for the PPL 437 Joint Venture due to its proximity to the proposed PRL 21 development infrastructure and because of the good quality Elevala and Toro Sandstones intersected in Tingu-1 in 2013.

Heritage has completed pre-drilling and engineering studies for the Malisa Structure, including a scouting expedition to site the proposed location. Heritage and Kina will continue to reprocess open file seismic data in the NE corner of PPL 437 to evaluate prospectivity elsewhere in the licence.

Also in accordance with the terms of the PPL 437 Farmin Agreement, Heritage had an option to acquire an additional 20% participating interest in, and operatorship of, the PPL 437 licence. Subsequent to balance date, Heritage's option lapsed with Kina's participating interest therefore remaining at 57.5% and not subject to any further changes as a result of the Farmin Agreement.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the half year ended 30 June 2015

	2015	2014
	US\$	US\$
Revenue	121,254	128,685
Share-based payments	(28,665)	(99,289)
Administration expenses	(456,755)	(344,253)
Consultancy fees	(237,233)	(210,171)
Foreign exchange gains/(losses)	(51,646)	76,837
Exploration expense	(711,193)	(879,744)
<b>Loss before income tax</b>	<b>(1,364,238)</b>	<b>(1,327,935)</b>
Income tax expense	-	-
<b>Loss after income tax</b>	<b>(1,364,238)</b>	<b>(1,327,935)</b>
<b>Other comprehensive income</b>		
Foreign currency translation difference	(95,519)	264
<b>Other comprehensive income for the period</b>	<b>(95,519)</b>	<b>264</b>
<b>Total comprehensive loss for the period attributable to members of the Parent Entity</b>	<b>(1,459,757)</b>	<b>(1,327,671)</b>

**Earnings per share**

From continuing operations:

	In US cents	
Basic loss per share	(0.44)	(0.55)
Diluted loss per share	(0.44)	(0.55)

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2015

	As at 30 June 2015 US\$	As at 31 December 2014 US\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	11,264,555	15,418,388
Trade and other receivables	480,216	368,500
Other current assets	27,557	29,364
<b>TOTAL CURRENT ASSETS</b>	<b>11,772,328</b>	15,816,252
<b>NON-CURRENT ASSETS</b>		
Exploration and evaluation expenditure	22,024,019	20,932,368
Development expenditure	3,963,514	3,420,098
Plant and equipment	36,824	50,618
Other non-current assets	247,380	264,390
<b>TOTAL NON-CURRENT ASSETS</b>	<b>26,271,737</b>	24,667,474
<b>TOTAL ASSETS</b>	<b>38,044,065</b>	40,483,726
<b>CURRENT LIABILITIES</b>		
Trade and other payables	640,939	1,649,508
<b>NET ASSETS</b>	<b>37,403,126</b>	38,834,218
<b>EQUITY</b>		
Issued capital	49,389,418	49,389,418
Reserves	118,286	185,140
Accumulated losses	(12,104,578)	(10,740,340)
<b>TOTAL EQUITY</b>	<b>37,403,126</b>	38,834,218

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

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the half year ended 30 June 2015**

	Ordinary Issued Capital US\$	Accumulated Losses US\$	Reserves US\$	Total US\$
<b>For the period 1 January 2015 to 30 June 2015</b>				
Balance at 1 January 2015	49,389,418	(10,740,340)	185,140	38,834,218
Loss for the period	-	(1,364,238)	-	(1,364,238)
Other comprehensive income				
Foreign currency translation difference for the period, the period, net of tax	-	-	(95,519)	(95,519)
Total comprehensive income	-	(1,364,238)	(95,519)	(95,519)
Transactions with owners in their capacity as owners:				
Options issued under Employee Incentive Plan	-	-	28,665	28,665
<b>Balance at 30 June 2015</b>	<b>49,389,418</b>	<b>(12,104,578)</b>	<b>118,286</b>	<b>37,403,126</b>
<b>For the period 1 January 2014 to 30 June 2014</b>				
Balance at 1 January 2014	30,359,250	(7,480,522)	4,131,483	27,010,211
Loss for the period	-	(1,327,935)	-	(1,327,935)
Other comprehensive income				
Foreign currency translation difference for the period, the period, net of tax	-	-	264	264
Total comprehensive income	-	(1,327,935)	264	(1,327,935)
Transactions with owners in their capacity as owners:				
Issue of shares in respect of 5% of PRL 38	4,048,610		(4,048,610)	-
Options issued under Employee Incentive Plan	-	-	99,289	99,289
<b>Balance at 30 June 2014</b>	<b>34,407,860</b>	<b>(8,808,457)</b>	<b>182,426</b>	<b>25,781,829</b>

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the half year ended 30 June 2015**

	2015 US\$	2014 US\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(778,061)	(756,885)
Interest received	31,254	14,441
Operator fee income	40,000	114,000
<b>Net cash used in operating activities</b>	<b>(706,807)</b>	<b>(628,444)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditure	(2,348,041)	(2,033,466)
Development expenditure	(1,098,985)	(160,781)
Receipt of funds from farm-in	-	300,000
<b>Net cash used in investing activities</b>	<b>(3,447,026)</b>	<b>(1,894,247)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	-	-
Cash acquired from Kina Oil and Gas Ltd	-	-
<b>Net cash provided by/(used in) financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents held</b>	<b>(4,153,833)</b>	<b>(2,522,691)</b>
Cash at beginning of year	15,418,388	6,458,768
<b>Cash at end of period</b>	<b>11,264,555</b>	<b>3,936,077</b>

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

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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**  
**For the half year ended 30 June 2015**

**Note 1 - Basis of preparation**

The half year financial statements are general purpose financial statements that have been prepared in accordance with IAS 34 – Interim Financial Reporting and PNG Companies Act 1997.

The half year financial statements do not include all of the information required for full-year financial statements. Accordingly, these financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2014.

The accounting policies applied by the Company in the consolidated financial statements for the year ended 31 December 2014 has been applied consistently with the half year financial statements.

Comparative information has been presented in the financial statements to enable an understanding of the results and financial position for the half year ended 30 June 2014.

*Going concern*

These financial statements have been prepared on a going-concern basis which assumes that the Company will continue to progress its exploration and development activities in accordance with its normal plans. The directors believe that the Company is able to meet its debts as and when they fall due for at least the next 12 months.

**Note 2 - Cash**

	30 June 2015 US\$	31 December 2014 US\$
<b>(a) Composition of cash</b>		
Cash at bank	<b>11,264,555</b>	15,418,388
<b>(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities</b>		
	30 June 2015 US\$	30 June 2014 US\$
Loss from ordinary activities after income tax	<b>(1,364,238)</b>	(1,327,935)
Add Back		
Non-cash expense – shared based payments	<b>28,665</b>	99,289
Non-cash expense – depreciation	<b>13,374</b>	14,670
Non-cash (income)/expense – foreign exchange (gain)/loss	<b>51,646</b>	(76,837)
Non-cash income – Operator Fee income from KPL interest in operated joint ventures	<b>(45,000)</b>	-
Non-operating item – exploration expense relating to investment activity	<b>711,193</b>	879,744
Changes in assets and liabilities relating to operations:		
- Increase in receivables	<b>(10,474)</b>	(199,058)
- (Increase)/Decrease in other assets	-	(6,030)
- Decrease in trade and other payables	<b>(91,974)</b>	(12,287)
Net cash used in operating activities	<b>(706,807)</b>	(628,444)

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**Note 3 - 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 experienced minimal exploration. A surface anticline with numerous gas seeps also features in this licence.
- PPLs 338, 339 and 340 – located in the Southern Papuan Basin which is a proven hydrocarbon province
- 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 three wet gas discoveries. The Group has a 15% interest in PRL 21 which is governed 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**

30 June 2015	Balance at beginning of the year	Exploration costs incurred	Exploration costs expensed	Development costs incurred	Balance at year end	% of total expenditure
	US\$	US\$	US\$	US\$	US\$	
PPL 337	19,205	86,227	(86,227)	-	19,205	0.07
PPL 338	13,767	141,795	(141,795)	-	13,767	0.05
PPL 339	25,017	67,425	(67,425)	-	25,017	0.10
PPL 340	16,205	59,422	(59,422)	-	16,205	0.06
PPL 435	26,611	63,542	(63,542)	-	26,611	0.11
PPL 436	24,604	60,200	(60,200)	-	24,604	0.09
PPL 437	5,694	37,998	(37,998)	-	5,694	0.02
PRL 21	20,136,042	1,286,235	(194,584)	543,416	21,771,109	83.77
PRL 38	4,085,321	-	-	-	4,085,321	15.73
	<b>24,352,466</b>	<b>1,802,844</b>	<b>(711,193)</b>	<b>543,416</b>	<b>25,987,533</b>	<b>100.00</b>

30 June 2014	Balance at beginning of the year	Exploration costs incurred	Exploration costs expensed	Development costs incurred	Balance at year end	% of total expenditure
	US\$	US\$	US\$	US\$	US\$	
PPL 337	19,205	74,036	(74,036)	-	19,205	0.08
PPL 338	13,767	53,775	(53,775)	-	13,767	0.06
PPL 339	25,017	48,557	(48,557)	-	25,017	0.11
PPL 340	16,205	163,457	(163,457)	-	16,205	0.07
PPL 435	26,611	189,296	(189,296)	-	26,611	0.12
PPL 436	24,604	156,354	(156,354)	-	24,604	0.10
PPL 437	5,694	77,622	(77,622)	-	5,694	0.03
PRL 21	18,596,113	(212,297)	(116,647)	866,737	19,133,906	81.94
PRL 38	4,048,610	36,711	-	-	4,085,321	17.49
	<b>22,775,826</b>	<b>587,511</b>	<b>(879,744)</b>	<b>866,737</b>	<b>23,350,330</b>	<b>100.00</b>



**Note 4 – Controlled entities**  
**Controlled Entities Consolidated**

Subsidiaries of Kina Petroleum Limited	Country of incorporation	Percentage Owned (%)		Contribution to net loss	
		As at 30 June 2015	As at 30 June 2014	For the half year ended 30 June 2015	For the half year ended 30 June 2014
Kina Oil and Gas Limited	Australia	100	100	(139,815)	(163,090)

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

**Note 5 - Joint operations**

The Company has entered into a joint operating agreement for PRL 21 in relation to the exploration, appraisal development, product and disposition of petroleum covered by PRL 21. The Company has a 15% participating interest in this joint venture and accounts for its assets owned, liabilities incurred and share in exploration expenditures. The Group's net assets in the joint operations are shown in the table below:

	As at 30 June 2015 US\$	As at 31 December 2014 US\$
<b>Current assets</b>		
Trade and other receivables	237,013	131,736
<b>Non-current assets</b>		
Exploration and evaluation expenditure	23,900,000	22,027,001
<b>Total assets employed in the joint operations</b>	<b>24,137,013</b>	<b>22,158,737</b>
<b>Non-current liabilities</b>		
Trade and other payables	264,196	1,257,600
<b>Total net assets employed in the operations</b>	<b>23,872,817</b>	<b>20,901,137</b>

**Note 6 - Earnings per share**

	For the half year ended 30 June 2015 US\$	For the half year ended 30 June 2014 US\$
Operating loss after income tax used in the calculation of basic and diluted loss per share	(1,364,238)	(1,327,935)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	306,898,921	240,039,686
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted loss per share	306,898,921	241,474,754

### Note 7 – Subsequent events

During July, the Kwila well in PPL 337 was plugged and abandoned. This concluded Heritage Oil Ltd's ("Heritage") obligations to Kina under the farmin agreement. Completion of drilling also gave Heritage the right to acquire a further 60% interest in and Operatorship of the licence, however Heritage have indicated that they wish to withdraw from the licence. Kina will therefore retain, in full, its existing 90% participating interest and Heritage's existing 10% participating interest will be transferred back to Kina, subject to government approval.

In accordance with the terms of the PPL 437 Farmin Agreement, Heritage had an option to acquire an additional 20% participating interest in, and operatorship of, the PPL 437 licence. Subsequent to balance date, Heritage's option lapsed with Kina's participating interest therefore remaining at 57.5% and not subject to any further changes as a result of the Farmin Agreement.

On 31 July 2015, it was agreed that Cott Oil and Gas (PNG) ("Cott") would withdraw from PPL 435 and PPL 436. Cott's withdrawal took effect on that date and their 50% interest was transferred to Kina. The transfer is subject to government approval.

With the completion of the initial licence term for PPLs 337, 338, 339 & 340, the company has submitted to the PNG Department of Petroleum and Energy customary extensions for these licences.

### Note 8 - Company details

#### AUSTRALIAN REGISTERED OFFICE

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

#### PRINCIPAL PLACE OF BUSINESS

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

#### PAPUA NEW GUINEA REGISTERED OFFICE

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

#### PAPUA NEW GUINEA

Southern Cross Pumps Building  
Ruta Place  
Gordons, National Capital District  
Papua New Guinea

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

1. the attached condensed financial statements and notes thereto of the consolidated entity, as set out on pages 6 to 13, are in accordance with the Papua New Guinea Companies Act 1997 and:
  - (a) give a true and fair view of the financial position of the Group as at 30 June 2014 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and
  - (b) comply with International Financial Reporting Standards IAS34: Interim Financial Reporting, other generally accepted accounting practices in Papua New Guinea, and ASX listing rules relating to half yearly financial reports;
2. the Managing Director and Chief Financial Officer have each declared that:
  - (a) the financial records of the Company for the half year ended 30 June 2014 have been properly maintained in accordance with the Papua New Guinea Companies Act 1997;
  - (b) the condensed financial statements and notes comply with International Financial Reporting Standards IAS34: Interim Financial Reporting, other generally accepted accounting practices in Papua New Guinea, and ASX listing rules relating to half yearly financial reports;
  - (c) the condensed financial statements and notes and give a true and fair view of the financial position of the Group as at 30 June 2014 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date..
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 7<sup>th</sup> day of September 2015



Richard Schroder  
Managing Director



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

### ***Report on the condensed interim financial statements***

We have reviewed the accompanying condensed interim financial statements, being a special purpose financial report, of Kina Petroleum Limited (the Company), which comprise the condensed statement of financial position as at 30 June 2015, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in shareholders' equity and condensed statement of cash flows for the half-year ended on that date and other selected explanatory notes for the Group. The Group comprises the Company and the entities it controlled at 30 June 2015 or from time to time during the half-year.

The condensed interim financial statements do not contain all the disclosures required of the full financial statements under generally accepted accounting practice in Papua New Guinea. Reading these condensed financial statements, therefore, is not a substitute for reading the annual financial statements of the Company.

### ***Directors' responsibility for the half-year financial report***

The Directors of the Company are responsible for the preparation of these interim financial statements such that they present fairly the matters to which they relate in accordance with IAS 34 'Interim Financial Reporting' 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 a conclusion on the condensed interim financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' in order to state whether, on the basis of the procedures described, anything has come to our attention that makes us believe that the condensed interim financial statements do not present fairly the matters to which they relate. As the auditor of the Company, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the condensed interim financial statements of the Company do not present fairly the Group's financial position as at 30 June 2015 and its financial performance and cash flows for the half-year ended on that date in accordance with IAS 34 'Interim Financial Reporting'.

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***Independent Auditor's Review Report (continued)***  
to the Directors of Kina Petroleum Limited

***Restriction on distribution or use***

This report is made solely to the Directors of the Company, as a body. Our review work has been undertaken so that we might state to the Directors those matters which we are required to state to them in our review report and for no other purpose. We do not accept or assume responsibility to anyone other than the Directors of the Company, as a body, for our review work, for this report or for those conclusions we have formed.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'JS', with a long horizontal flourish extending to the right.

Jonathan Seeto  
Partner  
Registered under the Accountants Act 1996

Port Moresby  
7 September 2015

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