KINA PETROLEUM LIMITED
ANNUAL REPORT

COMPANY NO. 1-63551 ARBN 151 201 704

FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS' REPORT

The Directors present their report on the Company and its controlled entities for the year ended 31 December 2017.

DIRECTORS

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

Richard Robinson, formerly Independent Non-Executive Chairman (retired 15 May 2017)

Appointed 13 December 2013, Richard has 40 years industry experience, including 30 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.

David Vance, Independent Non-Executive Chairman

Appointed to the Board on 6 November 2014, and appointed Chairman on 11 September 2017, 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.

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, Independent Non-Executive Director (interim Chairman from 15 May 2017 to 11 September 2017)

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

DIRECTORS' REPORT

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 1st 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.

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.

Alain Vinson, Non-Executive Director

Appointed 11 September 2017, Mr Vinson is presently the CEO and President of PIE Operating LLC, in Houston Texas. He attended Sam Houston State University in Texas where he attained a Bachelor of Science in Business Administration, with an emphasis on management. Alain worked for Interoil Corporation in a variety of roles from 2005 – 2013 where his primary responsibilities included procurement, logistics and project management. His project management skills saw him assume primary responsibility for the co-ordination of Interoil's field activities notably the construction of well sites and the execution and delivery of the civil works programs to support drilling and seismic operations.

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$ 2,668,791 (2016: US$ 2,783,811).

DIVIDENDS

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

DIRECTORS' REPORT

FINANCIAL POSITION

The net assets of the consolidated group at 31 December 2017 were US$ 34,556,022 (2016: US$ 32,983,540). At 31 December 2017 the Group had a cash balance of US$ 8,933,365 (2016: US$ 7,145,597).

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 over US$ 48 million with nearly US$ 9 million cash on hand at the end of 2017. As it has always done, Kina continues to leverage its large exploration position to support growth related activity in its licenses. This is despite the two to three year period preceding the date of this report presenting significant challenges because of a well documented decline in Oil price, coupled with uncertainty over the timing of extension of licenses which are foundations of our acreage portfolio.

At the beginning of the year oil prices were still languishing at US$50/bbl and dropped below US$45/bbl at mid year, but since then have risen steadily and at the end of the year closed at around US$70/bbl. Despite this recent rebound, the last 3 years of low prices has caused Kina and our industry to cut exploration activities and costs and to revisit strategies in the very difficult and uncertain conditions that prevail.

Over the last 3 years Kina has cut its costs by reducing manpower, freezing salaries and most importantly restructured our exploration obligations. But even more importantly, Kina has focused on our discovered assets, addressed their resource size, their cost of development and their viability of development in a US$50/bbl oil price environment.

In eastern PNG where Kina is the operator and 100% equity holder of its licences, the company has had its work commitments restructured via extension of PPLs 338 and 340 and the issue of 4 new licences - PPLs 581, 596, 597 and 598. This has been achieved by close and open dialogue with the Department of Petroleum and Energy in Port Moresby, with Kina keeping the Department abreast of the company's strategy and goals.

Only in our non-operated licences are we yet to have our work programs restructured, although confirmation of the extension of PPL 339 is imminent.

In western PNG Kina has built a large exposure to the Fly Platform oil and gas clastic play. PRL 21 is very much central to Kina's strategy for commercialization of the play. PRL 21 was awarded in 2011 with 6 successful intersections of the wet gas reservoir within the licence, 4 of which were drilled by the current joint venture. The success of the PRL 21 drilling campaign from 2011 – 2013 highlighted the potential of the play but rapid commercialisation of the play has been hampered by the recent period of low oil prices. This situation is being addressed by the joint venture.

PRL 21 is not only the lynch-pin of the Fly Platform play - it is fundamental to Kina's future and therefore the company has been actively considering commercialisation options for the licence. The Board and Management continue to work on value maximisation strategies.

As with eastern PNG, the existing work programs for the company's Western Province exploration licences - PPLs 435, 436 and 437 - have work programs which are legacies of the US$100/bbl oil price environment. We continue to work with the DPE to re-calibrate these to the current and near term industry environment.

Kina's integrated technical work for these Western Province PPLs has highlighted a number of very large oil targets in Western Province which lead us to apply for APPL 611 to secure tenure over the whole play trend. In advance of future seismic programs Kina undertook scouting of the proposed work areas in late 2017. Because the prospects cover a large area, the proposed seismic survey will be of a similar scale. Kina's screening studies suggest a program of about 420km over the top ranked prospects in PPLs 435,436 and 437 would cost US$26.5million at an average cost of around US$52,000/km if technology currently on offer in PNG was used. The company views this as unacceptably high based on management's experience of surveys carried out previously in the Aramia area of Western Provence, where per kilometre cost of less than US$20,000/km were achieved. Part of Kina's restructuring of its work program will address current nodal seismic technology and its applicability to the Fly Platform Play.

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 for oil and gas and work programmes have been developed.

License	Prospect	Ownership	Operator
PPL 338/581/ 596/597/598	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	Elevala/Tingu and Ketu Fields	Kina 16.75%	Horizon Oil Ltd
PRL 38	Pandora Fields	Kina 25%	Repsol

Overview of PNG Exploration Activities

The majority of the Company's tenements are 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.

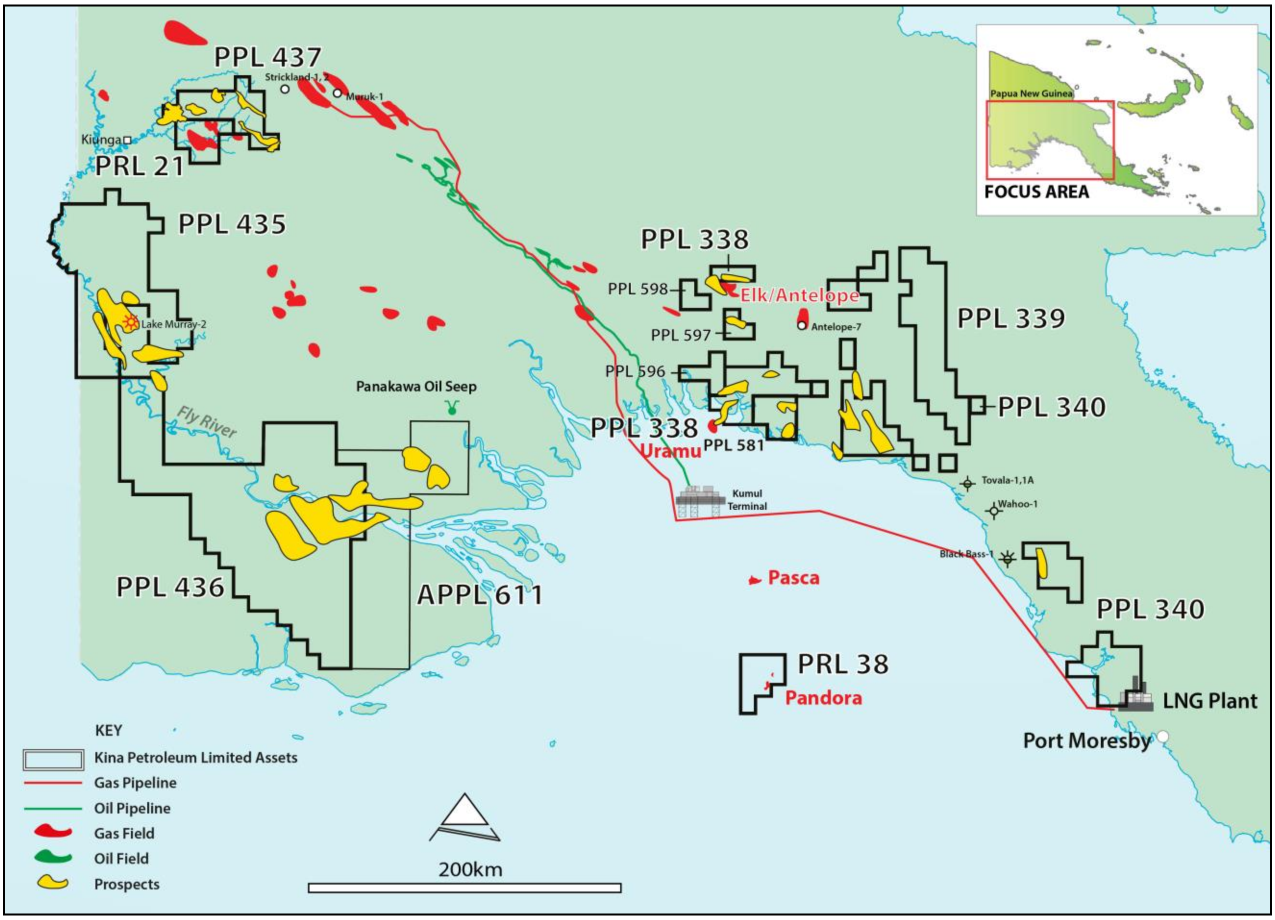


Figure 1: Location of Kina Petroleum Prospecting and Retention Licences.

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 16.75%)

Throughout the year the Joint Working Team (with PDL 10) has remained focused on monetising hydrocarbons from Elevala, Ketu, Stanley (the latter in PDL 10, in which Kina has no interest) and a number of smaller discoveries in PPL 235 (Kina has no interest) via a pipeline to Daru. PRL 21 remains the foundation asset for this aggregated LNG project and Kina believes the high liquids content of the gas in PRL21 presents a potential early development opportunity.

Coincident with studies that Kina is undertaking with respect to commercialisation options, the company is in the process of an independent resource certification exercise for the licence's discovered hydrocarbons. It is expected that the results of this exercise will be finalised during 2018 and integrated with the economic evaluation work (which incorporates expected capital costs and infrastructure requirements).

PRL 38 (Kina 25%)

The Pandora gas discovery is located offshore Daru Island and 90 km from the recently successful Pasca A4 well in APDL 14 (Kina has no interest in APDL 14). Pandora will in all likelihood need to be aggregated with nearby discoveries in the Gulf of Papua in some form of floating LNG project or tied back to an on-shore/near-shore facility.

With the success of the nearby Pandora A4 well, an aggregated floating LNG project has been elevated in our thinking as an attractive development option and with Twinza's dominant position in APDL 14 and its 40% equity in PRL 38 some form of cooperative development of the two fields will be investigated by Kina.

As a precursor to any such considerations Kina has undertaken its own interpretation of the 3D and 2D seismic and well data in PRL 38 and has identified 3 new prospects and upgraded its knowledge of the field. Kina is also undertaking a resource certification exercise for its interest in PRL 38.

PPL 338 (Kina 100%)

The extension of the PPL 338 licence, along with the granting of new licences PPLs 581, 596, 597 and 598, took place during 2017. The licences lie in the centre of the Miocene carbonate play between the Elk Antelope discovery in the north east and Uramu discovery in the south west. The table below summarises the prospect and lead inventory and their location.

The PPL 338 Extension contains the Triceratops West, Triceratops North, Mangrove, Nipa and Crocodile Prospects. All identified prospects require additional seismic and some gravity control prior to high grading them to drillable status. Phase 1 of the high grading process has commenced with the company's commitment to purchase gravity gradiometry data over the prospects where additional coverage is required. It is Kina's aim to merge new, existing and open file gravity data to establish a better understanding of structure and the age of potential carbonate build-ups in advance of seismic acquisition.

Prospect	Licence	Gravity
Triceratops West	PPL 338	yes
Triceratops North	PPL 338	yes
Mangrove	PPL 338	no
Nipa	PPL 338	no
Crocodile	PPL 338	no
Snake	PPL 581	no
Snake South	PPL 581	no
Waxbill	PPL 597	no

DIRECTORS' REPORT

Seismic scouting was undertaken during the year and available technology and costs are now being assessed for suitability in these licence areas.

Kina has purchased all available open file well and seismic control as part of its effort to map critical sequence boundaries, timing of fault movements and optimal areas for mid and late Miocene carbonate development. The integrated gravity gradiometry and seismic data sets will afford better understanding and ranking of the inventory prior to acquisition of the new seismic acquisition.

The Snake, Snake North and Waxbill Prospects are poorly constrained with 1960s vintage seismic data. The purchase of the gravity gradiometry data will help rank these for follow up work.

PPL 339 (Kina 30%)

PPL 339 is located in the eastern Papuan Basin, approximately 50km south and east of Antelope. The PPL 339 extension process being managed by licence Operator Oil Search (PNG) Limited has been negotiated and awaits Ministerial signature.

The forward work program is focused on Eclectus/Kalangar Prospect located in the western portion of PPL 339, approximately 80km south and along trend from Antelope. It is located on an ancestral high believed to separate the early mid Miocene Aure Trough with the Plio-Pleistocene foreland basin to the west. Oil and gas discharge is indicated by numerous seeps to the west of Kalangar which are likely generated by late Tertiary loading of the low that separates Kalangar from the Uramu/Nipa gas discoveries further to the west.

The nature and orientation of the possible barrier reef system active during the early to middle Miocene is not well understood and understanding its genesis and shape is aggravated by poor seismic data quality caused by multiple tectonic episodes in the Miocene and Plio-Pleistocene.

Gravity gradiometry data acquired several years ago first highlighted the possibility of relatively shallow, high density bodies but seismic acquisition has been unable to high-grade a drilling location. The joint venture intends to acquire magneto-telluric (MT) data over Kalangar/Eclectus to determine if the shallow high density bodies exhibit a resistivity signature, which would be supportive of presence of carbonate. Subject to the results of the MT Survey, further geophysical fieldwork may occur prior to drilling.

This additional delineation work presents a cost exposure to Kina, and in view of the prospect's risk profile the Company elected to farm out its equity in the licence to limit its financial exposure. In December 2017 Kina announced it had farmed out 20% of PPL 339 to Santos Ltd. On completion of this transaction, and subject to Santos opting to retain its interest in the licence, Kina will retain a 10% participating interest in the licence with cost exposure to a future Kalangar/Eclectus well covered (up to an agreed amount of costs) by its farmout arrangement with Oil Search.

PPL 340 (Kina 100%)

PPL 340 is in the eastern Papuan Basin, located northwest of Port Moresby in an area of easy access from Port Moresby. The extension for PPL 340 was granted in March 2017.

Technical efforts continue to focus on the potential for development of early Miocene reefs located only a matter of kilometres from the PNGLNG Plant at the Lizard Prospect which is located less than 90 km from outcrop of reef debris flows near the plant at Port Moresby.

The seismic evidence for structure and possible carbonate build up at Lizard Prospect is reasonable but Lizard's relatively close proximity to the recently unsuccessful Wahoo-1 well, which intersected mid Miocene shales at Total Depth, requires further investigation and explanation. Unfortunately there is no direct seismic tie from the Wahoo well into Lizard and the seismic correlations carried from Wahoo to Lizard are far from clear.

Kina's attention remains focused on Lizard but the structural history and geological explanation for the presence of a potential reef at Lizard remains unclear. Kina is addressing the technical rationale for the prospect and a work program to reduce the attendant risks of the prospect.

DIRECTORS' REPORT

With the licence now extended Kina has commenced a farm out effort to cover the cost of the technical appraisal work.

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

PPL 435 and 436 are two large licences located in the Western Province, at the southern edge of the Papuan Foreland on the Fly Platform.

The Fly Platform Play runs from Elevala Ketu in the north to the Fly Delta in the south east with both oil and gas targets reservoired in Jurassic and early Cretaceous sandstones. The number of reservoir targets increases to the south but at its southern limit the regional seal, the Ieru shale is truncated at the base of the Tertiary carbonate sequence due to early Tertiary restructuring of the Fly Platform. The loss of seal is responsible for the prolific Panakawa oil seep which was measured to be flowing at 5 barrels of oil per day at surface in 2006. Panakawa lies close to and just south of the truncation edge of the Ieru Shale and the prospects identified in PPLs 436 are up dip of the early Cretaceous and Jurassic sands intersected in Panakawa-1 drilled by New Guinea Energy Ltd in 2009 and based on correlations out of Adiba-1 have sealing Ieru shale present. Clearly the Fly Platform Play has significant oil potential south of the Panakawa seep.

A number of large structural features are recognized along the southern margin of the Fly Platform and it is structural closures along the Fly River Fault that Kina is targeting to mature to drillable status.

The closures are poorly controlled by seismic data but appear to be associated with a number of north east faults that transect the Fly Platform orthogonal to the Fly River Fault. Interestingly, the orientation of the Fly and Strickland Rivers, and the northern edge of the Fly Delta are controlled by some of the latter faults. The Sturt and Crocodile Prospects are large fault bounded targets with potential for multiple pay zones in the early Cretaceous, late Jurassic and early Jurassic sandstones. Closure for the Sturt and Crocodile Prospects is created by the intersection of the north easterly North Fly Delta Fault and orthogonally directed north westerly trending faults the Fly River Fault System. The areas of closure are very large and based on Kina's gravity data set lie at the culmination of the Fly Platform.

The North Fly Delta Fault strikes to the north east and sets up further sealed structures at the southern end of the Fly Platform extending east of the PPL 436 licence boundary. Kina has made application for APPL611 to capture 2 along trend structures to Crocodile; Barramundi and Saratoga Prospects.

The Fly Platform dips to the north west towards the Lake Murray 1 gas discovery. Late Cretaceous and possibly Tertiary movement on the Fly River Fault has set up the Aiambak and Aiambak South closures up dip of Lake Murray 1. In fact as presently mapped the early Cretaceous reservoir at Aiambak Prospect could be up dip of the gas tested in Lake Murray 1 in 1973. The Aiambak and Aiambak South Prospects are not within the fetch area of the kitchen generating oil at Panakawa and based on the flow of gas from Lake Murray-1 are considered to be gas prone. However they are broad flat structures and could host a multi-TCF resource immediately adjacent to the Aiambak Port on the Fly River.

Terrain and access to PPL 435, 436 and APPL 611 are good and seismic exploration costs will be lower than the very high costs (reported to be several hundred thousand dollars per kilometre) to the north of the Fly Platform. Kina management has experience operating elsewhere in the Fly Platform area and seismic costs for the Awapa Seismic Survey in the Aramia River catchment were of the order of US$20,000/km.

Kina scouted the PPL 435 and PPL 436 Prospects in October 2017 to determine scoping estimates for a future Southern Fly Platform Seismic Survey which will form part of Kina's multi-licence farm out effort.

Initial cost estimates using technology currently available in country suggest a range of US$40,000 to US$45,000/km. The costs are higher than the Aramia area because several of the proposed lines cross the Fly River and will present logistical challenges. However modern node technology is lighter and removes the need for any cables. Kina is investigating brands not currently in country that are water proof and may present further cost savings for the survey.

Alligator remains the largest prospect in Kina's prospect portfolio and if costs can be reduced to levels achieved by the Aramia Seismic Survey it will form the key opportunity for Kina's proposed Fly Platform Farm

DIRECTORS' REPORT

Out Effort. Kina presented a portfolio of opportunities at the Chamber of Mining and Petroleum Conference end November, 2017 and has received expressions of interest in the Western Province Play.

PPL 437 (Kina 57.5%)

PPL 437 is located in the Western Province of PNG, immediately north of PRL 21 (Ketu-Elevala) and south of Hides, Muruk, Juha and P'nyang. In these fields, the primary exploration objectives have traditionally been the Elevala and Toro Sandstones, sealed by the Ieru Shale below the Tertiary carbonates that form the primary objective and the proven hydrocarbon play in PPLs 338, 339 and 340.

PPL 437 is located at the northern margin of the Fly Platform bounded to the north by the Papuan Fold Belt.

Interpretation of Kina's regional well and seismic data set has highlighted a number of structural and stratigraphic similarities between PPLs 437, 435 and 436. They are linked by their structural setting at the margins of the Fly Platform which itself is anomalous lying at the leading edge of the fold belt, an area of active present day mountain building.

The Fly Platform is a large structural entity at the northern edge of Australian craton and due to its internal strength is resisting normal foreland basin development being imposed by Plio-Pleistocene uplift from the north. As a consequently the Fly Platform has undergone a number of tectonic movements which commenced in the Albian with uplift of the Australian craton to its south and a number of intermittent movements throughout the Tertiary which has led to its current structural form.

PPL 437 is at the northern margin of the Fly Platform and the imposed stress and loading are causing present day migration of oil and gas from the north into PPL 437 and then south to PRL 21.

Multiple reservoirs are recognized in the northern platform area and Kina has invested considerable time mapping key sequence boundaries across the platform to define reservoir fairways and to determine timing of structural movements critical to the Fly Platform Petroleum System.

Elevala and Ketu Fields host some of the wettest gas intersected in PNG and contain sufficient liquids to underpin a standalone project in PRL 21. PPL 437 contains structures analogous to Elevala and Ketu and offer similar drilling and potential development opportunities to the Elevala and Ketu discoveries

Kina has identified 3 significant prospects: Malisa, Ebony and Mango Prospects which if successful could be brought on stream quickly in the event the gas has the same wetness characteristics as the fields in PRL21.

Kina has defined a seismic program of 150km over the Mango and Ebony Prospects to mature them to drillable status. Based on recent experience in PPL 437 cost estimates for the seismic program are estimated to be US$60,000/km but Kina believes these costs can be significantly reduced using state of the art node technology.

An electronic data room has been established to assist in the farm out proposal for PPL 437 which was announced at the PNG Chamber of Mining and Petroleum held in Port Moresby in late Nov 2017.

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 as 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 $A 30,000 ($US 22,998, 2016: $US 21,949) worth for the Chairman and $A 20,000 ($US 15,332, 2016: $US 14,633) 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 Shares and Options

There were no Director or Executive Options outstanding at 31 December 2017. All previously issued Director options were exercised in 2013 and all previously issued Executive options had expired by 31 December 2015.

DIRECTORS' REPORT

Remuneration of Directors and Key Management for the year to 31 December 2017

	Short-term benefits		Post employment		Share-based payments			
	Cash salary and fees	Short term incentives	Super-annuation	Termination benefits	Options	Shares[1]	Total	Total remuneration represented by options and shares
	US$	US$	US$	US$	US$	US$	US$	%
Directors								
Richard Schroder	206,995	-	23,000	-	-	-	229,995	-
Richard Robinson	15,812	-	-	-	-	9,372	25,184	37
Barry Tan	34,499	-	-	-	-	15,201	49,700	31
Dr Ila Temu	37,055	-	-	-	-	17,465	54,520	32
David Vance	36,735	-	-	-	-	17,590	54,325	32
Alain Vinson	10,062	-	-	-	-	4,653	14,715	32
Total Directors	**341,158**	**-**	**23,000**	**-**	**-**	**64,281**	**428,439**	**15**
Key Management								
A Mitchell	180,929	-	16,736	-	-	15,101	212,766	7
Total Key Management	180,929	-	16,736	-	-	15,101	212,766	7
Total	**522,087**	**-**	**39,736**	**-**	**-**	**79,382**	**641,205**	**12**

1 The annual remuneration of non executive directors has, since 16 May 2013, included an equity component. Issuing of the shares is subject to shareholder approval at the company's AGM. The value of the shares shown in this table reflects the value of the shares to which directors have become entitled between 1 January 2017 and 31 December 2017. The value of the shares has been expensed annually and reflected in a corresponding increase in reserves.

Remuneration of Directors and Key Management for the year to 31 December 2016

	Short-term benefits		Post employment		Share-based payments			
	Cash salary and fees	Short term incentives	Super-annuation	Termination benefits	Options	Shares[1]	Total	Total remuneration represented by options and shares
	US$	US$	US$	US$	US$	US$	US$	%
Directors								
Richard Schroder	180,623	-	23,856	-	-	-	204,479	-
Richard Robinson	34,761	-	-	-	-	21,949	56,710	39
Barry Tan	28,441	-	-	-	-	14,633	43,074	34
Dr Ila Temu	28,441	-	-	-	-	14,633	43,074	34
David Vance	28,441	-	-	-	-	14,633	43,074	34
Total Directors	**300,707**	**-**	**23,856**	**-**	**-**	**65,848**	**390,411**	**17**

DIRECTORS' REPORT

Key Management								
A Mitchell	153,173	-	14,168	-	-	-	167,341	-
Total Key Management	153,173	-	14,168	-	-	-	167,341	-
Total	**453,880**	**-**	**38,024**	**-**	**-**	**65,848**	**557,752**	**12**

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:

	Number				
	Fully Paid Ordinary Shares				
Year to 31 December 2017	**Held at end of year**	Entitlement[1] at beginning of year	Entitlement[1] Accruing during year	Issued during year	Entitlement[1] at end of year
Richard Robinson	**-**	201,403	30,271	(231,674)	-
Richard Schroder	**15,752,381**	-	-	-	-
Barry Tan	**17,735,526**	193,461	53,333	(215,525)	31,269
Dr Ila Temu	**725,525**	193,461	61,256	(215,525)	39,192
Alain Vinson	**28,744,029**	-	60,822	-	60,822
David Vance	**146,693**	123,053	66,067	(146,693)	42,427
	63,104,154	711,378	271,749	(809,417)	173,710

	Number				
	Fully Paid Ordinary Shares				
Year to 31 December 2016	**Held at end of year**	Entitlement[1] at beginning of year	Entitlement[1] Accruing during year	Entitlement[1] at end of year	
Richard Robinson	**300,000**	128,233	73,170	201,403	-
Richard Schroder	**15,752,381**	-	-	-	-
Barry Tan	**17,520,001**	140,128	53,333	193,461	-
Dr Ila Temu	**510,000**	140,128	53,333	193,461	-
David Vance	**-**	65,910	57,143	123,053	-
	34,082,382	474,399	236,979	711,378	-

1 Non Executive Directors are entitled to shares as part of their approved remuneration arrangements. The issue of these shares is subject to shareholder approval and the amount of these shares is not included in the amounts noted as being held at year end.

DIRECTORS' REPORT

SHARE OPTIONS

At the end of 2017 and 2016 the number of options over unissued ordinary shares at the date of this report was nil.

MEETINGS OF DIRECTORS

Attendances by each director to meetings of directors (including committee of directors) during the year to 31December 2017 were as follows:

	Board Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
2017				
Richard Schroder	15	15	-	-
Barry Tan	15	14	3	2
Dr Ila Temu	15	11	3	3
Richard Robinson	5	5	-	-
Alain Vinson	6	6	-	-
David Vance	15	15	3	3
2016				
Richard Schroder	13	12	-	-
Barry Tan	13	11	3	2
Dr Ila Temu	13	8	3	3
Richard Robinson	13	13	-	-
David Vance	13	12	3	3

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

INDEMNIFYING OFFICERS

During the year the Company paid a premium of USD equivalent $16,865 (2016: $24,851) 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.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were no other material events occurring post balance date.

DIRECTORS' REPORT

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 23rd day of March 2018

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 (3rd edition) with 2014 Amendments ("Principles and Recommendations"), which are as follows:

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

- 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[1]	**If not, why not[2]**		**ASX P&R[1]**	**If not, why not[2]**
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 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, 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 under the section marked Corporate Governance.

During 2016, a Board evaluation process was undertaken. Conducted by the Chairman with the assistance of the Group Secretary, the evaluation process commenced with the Directors providing responses to a range of questions (formulated by the Australian Institute of Company Directors) relating to Board performance and function. These responses were then reviewed by the Chairman and subsequently discussed as a full Board group. Unanimity of positive views existed on most issues and where there was a divergences of views, it was accepted by the Board that this was (i) a function of factors beyond the Company's control and impacting all industry participants in PNG, notably the recent low oil price environment and the timing of regulatory approvals, and therefore (ii) something expected to have a limited short-term impact for which it is reasonable to assume there will be a consensus of positive opinion amongst Board members when addressed in future Board evaluations.

2017 was a year of Board renewal and consistent with the levels of activity envisaged in 2018, it is expected that the next formal evaluation of the Board will occur either at the end of 2018 or some time in 2019.

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.*

CORPORATE GOVERNANCE STATEMENT

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.*

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 under the section marked Corporate Governance.

Recommendation 2.3: *A listed entity should disclose (a) he 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 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*

Notification of Departure from Principles:

The company has five directors, two of which are considered independent.

Explanation for Departure:

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.

Mr David Vance, the Company's non-executive Chairman, and Dr Ila Temu, a Non-Executive Director, are considered independent.

Of the other directors, Richard Schroder is the Managing Director of the Company. Barry Tan is no longer a substantial shareholder of the Company but has had a long tenure as a director. Alain Vinson was appointed to the Board in September 2017 as a Non-Executive Director but is a substantial shareholder of the Company and former associate of one of the Company's substantial shareholders. These factors aside, the Board believes that Mr Vinson brings an appropriate mix of skills to the Board which (a) complement those already provided by the existing directors, and (b) will assist the next phase of the Company's growth. 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.

CORPORATE GOVERNANCE STATEMENT

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 David Vance, 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 with 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.

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 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 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 under the section headed Corporate Governance. This annual report is also available on the company's and ASX's website.

CORPORATE GOVERNANCE STATEMENT

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 its communicates effectively with shareholders. The Continuous Disclosure Policy and Communication Strategy ensures that shareholders are 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 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.*

Actively considered at each meeting of the Board of Directors are the risks faced by the company and the systems and framework in place to manage them. During 2017, the company was focussed on preserving and increasing working capital to allow it to meet its work commitments in the near term. Accordingly, a farmout of PPL 339 to Santos was executed and the company undertook a share placement. These activities, and the continuation of the farmout effort into 2018 may involve potential exposure to material risks, but these are inherently fewer in number and complexity than the risks associated with field based activity. Accordingly, as the Board was satisfied that existing risk management practices and frameworks could adequately mitigate any risks that arose, a formal review did not otherwise occur. The Board will continue to assess the need for formal review of the company's risk management framework.

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 under the section marked Corporate Governance.

The Board seeks written assurance from the Managing Director and CFO that systems of risk management and internal control are 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

CORPORATE GOVERNANCE STATEMENT

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.

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 of 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 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.

STATEMENTS OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Group		Company	
		2017	2016	**2017**	2016
		US$	US$	**US$**	US$
Revenue	2	**3,550**	58,820	**3,340**	58,600
Net administration expense	3	**(1,341,736)**	(1,008,125)	**(2,448,393)**	(969,120)
Exploration expense	21b	**(1,198,738)**	(1,740,168)	**(379,115)**	(1,740,168)
Share based payments	17	**(79,382)**	(65,848)	**(79,382)**	(65,848)
Foreign exchange losses, net		**(52,485)**	(28,490)	**(52,012)**	(28,173)
Loss before income tax		**(2,668,791)**	(2,783,811)	**(2,955,562)**	(2,744,709)
Income tax expense	4	**-**	-	**-**	-
Loss after income tax attributable to members of the parent entity		**(2,668,791)**	(2,783,811)	**(2,955,562)**	(2,744,709)
Other comprehensive income					
Items that may be subsequently reclassified to profit and loss					
Foreign currency translation difference for the year, net of tax		**35,726**	(4,901)	**-**	-
Other comprehensive income (loss) for the year		**35,726**	(4,901)	**-**	-
Total comprehensive loss for the year attributable to members of the Parent Entity		**(2,633,065)**	(2,788,712)	**(2,955,562)**	(2,744,709)

Earnings per share		**In US cents**			
From continuing operations:					
Basic loss per share	23	**(0.87)**	(0.91)	**-**	-
Diluted loss per share	23	**(0.87)**	(0.91)	**-**	-

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017		Group		Company	
	Note	**2017**	2016	**2017**	2016
		US$	US$	**US$**	US$
CURRENT ASSETS					
Cash and cash equivalents	6	**8,933,365**	7,145,597	**8,917,785**	7,138,049
Trade and other receivables	7	**116,881**	150,123	**19,461**	147,671
Other current assets	8	**19,828**	25,014	**19,825**	25,011
TOTAL CURRENT ASSETS		**9,070,074**	7,320,734	**8,957,071**	7,310,731
NON-CURRENT ASSETS					
Exploration and evaluation expenditure	9	**25,710,007**	25,891,337	**86,880**	25,891,337
Plant and equipment	10	**11,267**	14,307	**11,267**	14,307
Investment in subsidiaries	24	**-**	-	**484,417**	765,811
Loans receivable	11	**-**	-	**25,488,457**	-
Other non-current assets	12	**303,800**	214,480	**303,800**	214,480
TOTAL NON-CURRENT ASSETS		**26,025,074**	26,120,124	**26,374,821**	26,885,935
TOTAL ASSETS		**35,095,148**	33,440,858	**35,331,892**	34,196,666
CURRENT LIABILITIES					
Trade and other payables	13	**428,310**	439,287	**182,912**	426,410
Provisions	14	**89,477**	18,031	**-**	-
Loans payable	15	**-**	-	**592,959**	464,221
TOTAL CURRENT LIABILITIES		**517,787**	457,318	**775,871**	890,631
NON-CURRENT LIABILITIES					
Provisions	14	21,339	-	-	-
TOTAL NON CURRENT LIABILITIES		**21,339**	-	-	-
TOTAL LIABILITIES		**539,126**	457,318	**775,871**	890,631
NET ASSETS		**34,556,022**	32,983,540	**34,556,021**	33,306,035
EQUITY					
Issued capital	16	**53,763,235**	49,389,418	**53,763,235**	49,389,418
Reserves	27	**(65,771)**	66,773	**47,946**	216,215
Accumulated losses		**(19,141,442)**	(16,472,651)	**(19,255,160)**	(16,299,598)
TOTAL EQUITY		**34,556,022**	32,983,540	**34,556,021**	33,306,035

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

For and on behalf of the Board:
23 March 2018

Mr Richard Schroder
Managing Director

Mr David Vance
Non-Executive Chairman

STATEMENTS OF CHANGES IN EQUITY

Group	Ordinary Issued Capital US$	Accumulated Losses US$	Reserves US$	Total US$
For the year ended 31 December 2017				
Balance at 31 December 2016	49,389,418	(16,472,651)	66,773	32,983,540
Loss for the year	-	(2,668,791)	-	(2,668,791)
Other comprehensive income				
Foreign currency translation difference	-	-	35,726	35,726
Total comprehensive loss for the year	-	(2,668,791)	35,726	(2,633,065)
Transactions with owners in their capacity as owners:				
Shares issued – placement	4,126,165	-	-	4,126,165
Shares issued Non-Exec. Directors & employee	247,652	-	(232,550)	15,102
Shares to be issued to Non-Exec. Directors	-	-	64,280	64,280
Total transactions with owners for the year	4,373,817	-	(168,270)	4,205,547
Balance at 31 December 2017	**53,763,235**	**(19,141,442)**	**(65,771)**	**34,556,022**
For the year ended 31 December 2016				
Balance at 31 December 2015	49,389,418	(13,688,840)	5,826	35,706,404
Loss for the year	-	(2,783,811)	-	(2,783,811)
Other comprehensive income				
Foreign currency translation difference	-	-	(4,901)	(4,901)
Total comprehensive loss for the year	-	(2,783,811)	(4,901)	(2,788,712)
Transactions with owners in their capacity as owners:				
Shares to be issued to Non-Executive Directors	-	-	65,848	65,848
Total transactions with owners for the year	-	-	65,848	65,848
Balance at 31 December 2016	**49,389,418**	**(16,472,651)**	**66,773**	**32,983,540**

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

STATEMENTS OF CHANGES IN EQUITY

Company	Ordinary Issued Capital US$	Accumulated Losses US$	Reserves US$	Total US$
For the year ended 31 December 2017				
Balance at 31 December 2016	49,389,418	(16,299,598)	216,215	33,306,035
Loss for the year	-	(2,955,562)	-	(2,955,562)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	(2,955,562)	-	(2,955,562)
Transactions with owners in their capacity as owners:				
Shares issued – placement	4,126,165	-	-	4,126,165
Shares issued Non-Exec. Directors & employee	247,652	-	(232,549)	15,103
Shares to be issued to Non-Exec. Directors	-	-	64,280	64,280
Total transactions with owners for the year	4,373,817	-	(168,269)	4,205,548
Balance at 31 December 2017	**53,763,235**	**(19,255,160)**	**47,946**	**34,556,021**
For the year ended 31 December 2016				
Balance at 31 December 2015	49,389,418	(13,554,889)	150,367	35,984,896
Loss for the year	-	(2,744,709)	-	(2,744,709)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	(2,744,709)	-	(2,744,709)
Transactions with owners in their capacity as owners:				
Shares to be issued to Non-Executive Directors	-	-	65,848	65,848
Total transactions with owners for the year	-	-	65,848	65,848
Balance at 31 December 2016	**49,389,418**	**(16,299,598)**	**216,215**	**33,306,035**

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2017

	Note	Group		Company	
		2017	2016	**2017**	2016
		US$	US$	**US$**	US$
CASH FLOW FROM OPERATING ACTIVITIES					
Exploration and evaluation expenditure		**(545,818)**	(1,022,272)	**(393,707)**	(641,039)
Payments to suppliers and employees		**(1,355,370)**	(990,718)	**(1,186,711)**	(1,371,951)
Interest received		**3,550**	3,820	**3,340**	3,600
Net operator fee Income		**44,213**	-	**44,213**	-
Net cash used in operating activities	20	**(1,853,425)**	(2,009,170)	**(1,532,865)**	(2,009,390)
CASH FLOW FROM INVESTING ACTIVITIES					
Exploration and evaluation expenditure		**(1,192,265)**	(1,172,657)	**(366,387)**	(1,172,657)
Acquisition of plant and equipment		**(1,263)**	(1,148)	**(1,263)**	(1,148)
Receipt for assumption of restoration obligation		**623,028**	-	**623,028**	-
Net cash from/(used in) investing activities		**(570,500)**	(1,173,805)	**255,378**	(1,173,805)
CASH FLOW FROM FINANCING ACTIVITIES					
Receipt of funds from Share Placement		**4,126,165**	-	**4,126,165**	-
Loans to wholly owned subsidiaries		**-**	-	**(1,084,803)**	-
Net cash from/(used in) financing activities		**4,126,165**	-	**3,041,362**	-
Effect of exchange rate changes on cash and cash equivalents		**85,528**	(14,184)	**15,861**	(15,339)
Net increase/(decrease) in cash and cash equivalents held		**1,787,768**	(3,197,159)	**1,779,736**	(3,198,534)
Cash at beginning of year		**7,145,597**	10,342,756	**7,138,049**	10,336,583
Cash at end of year	20	**8,933,365**	7,145,597	**8,917,785**	7,138,049

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

Notes to the 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 financial statements are disclosed in note 1t.

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 2017 of US$2,668,791 (2016: US$2,783,811), the financial statements have been prepared on a going concern basis.

The Group has US$8,933,365 in cash and cash equivalents at the end of the year. 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 2017, however none materially impact the Group.

- Amendments to IAS 7 'Statement of Cash Flows' on disclosure initiative. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

- Amendments to IAS 12 'Income Taxes' on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- Annual improvements 2014 – 2016 - IFRS 12. This amendment clarifies that the disclosure requirements of IFRS 12 are applicable to interests in entities classified as held for sale except for summarised financial information.

(b) Standards, amendment and interpretations issued but not yet effective for the year ended 31 December 2017 or adopted early. Unless otherwise stated, the following standards are not expected to have a significant impact to the Group.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2018 or later periods, but the entity has not early adopted them

- Amendments to IFRS 2 'Share based payments' on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- 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 simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss shall now be presented within OCI; this change can be adopted early without adopting IFRS 9. IFRS 9's new impairment model is a move away from IAS 39's incurred credit loss approach to an expected credit loss model. Earlier recognition of impairment losses is likely to result and for entities with significant lending activities, an overhaul of related systems and processes will be needed.

- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2018) is a converged standard from the IASB and FASB on revenue recognition and replaces IAS 11 and IAS 18. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

- The entity will have to adopt a new 5-step process for the recognition of revenue:
  - identify contracts with customers
  - identify the separate performance obligations
  - determine the transaction price of the contract
  - allocate the transaction price to each of the separate performance obligations, and recognise the revenue as each performance obligation is satisfied

- Amendments to IFRS 15 (effective 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

- 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. IFRS 16 now requires 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. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The entity expects that certain leases of property and equipment that are currently accounted for as operating leases will, from January 2019, be required to be recognised as right-of-use assets and depreciated, with a corresponding lease liability. This will increase reported debt levels in the statement of financial position and will increase the reporting charges for depreciation and interest expense. The timing of expense recognition will also be brought forward although the impact on reported profit is not expected to be significant.

- Amendments to IFRS 4, 'Insurance contracts' (effective 1 January 2018) regarding implementation of IFRS 9. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

  - give all companies that issue insurance contracts the option to recognise in OCI, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021, in which case they will continue to apply IAS 39.

- Amendments to IAS 40, 'Investment property' (effective 1 January 2018) relating to transfers of investment property. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- Annual improvements 2014 – 2016 makes minor changes to IFRS 1 and IAS 28 (effective 1 January 2018).

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018) addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made.

- IFRS 17 'Insurance contracts" (effective 1 January 2021) replaces IFRS 4. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contacts with discretionary participation features.

- IFRIC 23, 'Uncertainty over income tax treatments' (effective 1 January 2019) clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes' are applied where there is uncertainty over income tax positions. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

- Annual improvements 2015 – 2017 makes minor changes to IFRS 3, IFRS 11, IAS 12 and IAS 23 (effective 1 January 2019)

The group is currently assessing the impact these changes will have on future financial statements

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 24 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. Operator fee revenue is recognised in respect of Group's role as operator of certain joint operations and is calculated in accordance with the joint operating agreements governing those operations.

(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 tax 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 Evaluation expenditure

Exploration and Evaluation 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 and any associated geophysical and geological costs 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.

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 Development Expenditure in the Statement of Financial Position. Prior to reclassification, capitalised exploration expenditure would be assessed for impairment.

Impairment of Exploration and Evaluation Expenditure

Exploration expenditure is reviewed at least annually 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 a Prospecting or Retention licence area) 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 cost 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 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 statement of cash flows 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 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 wholly settled within 12 months after the end of the period in which the employee rendered the related service 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 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.

When the 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 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 segments 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:

Class of Fixed Asset	Depreciation Rate
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

A Joint arrangement is an arrangement in 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 assets, 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 and evaluation 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 fair value of shares to which non-executive directors are entitled is based on market price at measurement date. The fair value of these shares appear at note 17(a).

	Group		Company	
	2017	2016	**2017**	2016
	US$	US$	**US$**	US$
Note 2 – Revenue				
Interest income	**3,550**	3,820	**3,340**	3,600
Operator fee income	**-**	55,000	**-**	55,000
	3,550	58,820	**3,340**	58,600
Note 3 – Net Administration expense				
Salaries and employee benefits	**684,556**	554,411	**106,162**	121,150
Professional fees	**498,285**	464,202	**483,439**	443,130
Transportation and travel	**87,551**	111,102	**87,551**	110,963
Legal and regulatory	**113,134**	98,363	**113,134**	98,363
Occupancy and insurance	**134,305**	121,959	**67,904**	71,327
On-charged Expenses	**-**	-	**331,460**	122,383
Administration and other costs	**295,642**	246,231	**260,606**	208,714
Charged to exploration expense	**(471,737)**	(588,143)	**(121,616)**	(206,910)
Impairment of related party receivables & investments	**-**	-	**1,119,753**	-
	1,341,736	1,008,125	**2,448,393**	969,120
Note 4 - Income tax expense				
(a) The components of income tax expense comprise:				
Benefit from deferred tax	**801,702**	836,289	**887,670**	824,493
Deferred tax assets not recognised	**(801,702)**	(836,289)	**(887,670)**	(824,493)
	-	-	-	-
(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%	**(800,637)**	(835,143)	**(886,668)**	(823,413)
Add Tax effect of:				
Expenses not deductible for tax	**-**	-	**-**	-
Deferred tax assets not recognised	**801,702**	836,289	**887,670**	824,493
Less tax effect of:				
Income not assessable for tax	**(1,065)**	(1,146)	**(1,002)**	(1,080)
(Income tax expense/(benefit)	**-**	-	**-**	-
Tax losses benefit				
Unused tax losses for which no tax loss has been recognised as a deferred tax asset adjusted for non-temporary differences at 30%	**5,169,439**	4,367,737	**5,243,570**	4,355,900

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	
	2017	2016	**2017**	2016
	US$	US$	**US$**	US$
Note 5 - Auditors' remuneration				
Remuneration of the auditor of the parent entity for:				
- auditing/reviewing financial reports	**38,723**	36,770	**38,723**	36,770
- other services	**6,152**	-	**6,152**	-
	44,875	36,770	**44,875**	36,770

Note 6 – Cash and cash equivalents

Cash at bank	**8,933,365**	7,145,597	**8,917,785**	7,138,049

Note 7 - Trade and other receivables

Current

Cash calls in advance	**89,819**	87,384	**-**	87,384
Other receivables	**27,062**	62,739	**19,461**	60,287
	116,881	150,123	**19,461**	147,671

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 2017 relate to security deposits.

Note 9 – Exploration and evaluation expenditure

Costs carried forward in respect of areas of interest in the exploration phase:				
Balance at beginning of the year	**25,891,337**	25,440,635	**25,891,337**	25,440,635
Net Expenditures incurred	**441,698**	450,702	**346,132**	450,702
Funds received for future abandonment costs	**(623,028)**	-	**(623,028)**	-
Expenditure transferred to subsidiaries at cost	**-**	-	**(25,527,561)**	-
Carrying amount at end of the year	**25,710,007**	25,891,337	**86,880**	25,891,337

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and commercial exploitation of the tenements. Recoverability is assessed at least annually and in the event of an impairment in carrying value, an adjustment is made accordingly.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**

Note 10 – Plant and equipment

Leasehold improvements, at cost	**43,566**	43,566	**14,657**	14,657
Accumulated depreciation	**(43,566)**	(43,566)	**(14,657)**	(14,657)
	-	-	**-**	-
Office Equipment, at cost	**11,272**	11,272	**11,272**	11,272
Accumulated depreciation	**(11,272)**	(11,272)	**(11,272)**	(11,272)
	-	-	**-**	-
Motor Vehicles, at cost	**16,635**	16,635	**16,635**	16,635
Accumulated depreciation	**(12,094)**	(9,917)	**(12,094)**	(9,917)
	4,541	6,718	**4,541**	6,718
IT equipment, at cost	**39,841**	38,578	**39,841**	38,578
Accumulated depreciation	**(33,115)**	(30,989)	**(33,115)**	(30,989)
	6,726	7,589	**6,726**	7,589
	11,267	14,307	**11,267**	14,307

Note 11 – Loans Receivable

Loans receivable represent non-interest bearing finance provided by Kina Petroleum Limited to wholly owned entities to advance the Company's operations. The loans are receivable on demand. Movement in receivable balances are as follows:

Balance at beginning of the year	**-**	-	**-**	-
Advances during the year	**-**	-	**26,326,816**	-
Provision for Impairment	**-**	-	**(838,359)**	-
Balance at end of the year	**-**	-	**25,488,457**	-

Note 12 – Other Non Current assets

Other non-current assets comprise 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	**76,424**	132,434	**74,334**	131,276
Sundry payables and accrued expenses	**351,886**	306,853	**108,578**	295,134
	428,310	439,287	**182,912**	426,410

	Group		Company	
	2017	2016	**2017**	2016
	US$	US$	**US$**	US$

Note 14 - Provisions

Current

Annual Leave	**30,940**	18,031	**-**	-
Long Service Leave	**58,537**	-	**-**	-
	89,477	18,031	**-**	-

Non-Current

Long Service Leave	**21,339**	-	**-**	-

Note 15 – Loans payable

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

Balance at beginning of the year	**-**	-	**464,221**	513,537
Borrowing/(Repayments) during the year	**-**	-	**128,738**	(49,316)
Balance at end of the year	**-**	-	**592,959**	464,221

Note 16 – Issued capital

382,752,788 (2016: 306,898,921) fully paid ordinary shares	**53,763,235**	49,389,418	**53,763,235**	49,389,418

(a) Fully paid ordinary shares	**No of shares**	**US$**	**No of shares**	**US$**
For the year ending 31 December 2017				
Balance at beginning of year	**306,898,921**	**49,389,418**	**306,898,921**	**49,389,418**
Shares transactions during the year:				
- issue to Non Exec. Directors and employee	**853,867**	**247,652**	**853,867**	**247,652**
- placement	**75,000,000**	**4,126,165**	**75,000,000**	**4,126,165**
Balance at end of year	**382,752,788**	**53,763,235**	**382,752,788**	**53,763,235**
For the year ending 31 December 2016				
Balance at beginning of year	**306,898,921**	**49,389,418**	**306,898,921**	**49,389,418**
Shares transactions during the year:				
- nil	**-**	**-**	**-**	**-**
Balance at end of year	**306,898,921**	**49,389,418**	**306,898,921**	**49,389,418**

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

There are no options over unissued shares.

(c) Share-based payments

The shares due to non executive directors will be put forward for approval at the company's next Annual General Meeting. It is expected that all shares due will be issued during 2018.

Refer to the remuneration report and note 17 for details of the number of shares due to non-executive directors.

(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 17 - 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, retired 15 May 2017)	Former 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, and appointed Chairman 11 September 2017)	Non–executive Chairman
Alain Vinson (appointed 11 September 2017)	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 2017.

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

	Group		Company	
	2017	2016	**2017**	2016
	US$	US$	**US$**	US$
Short-term employee benefits	**522,088**	453,880	**134,164**	120,085
Post-employment benefits	**39,735**	38,024	**-**	-
Share based payments	**79,382**	65,848	**79,382**	65,848
	641,205	557,752	**213,546**	185,933

(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	**Received as part of approved remuneration**	**Bought or (Sold)**	**Balance at end of year**	**Entitlement to shares as part of approved remuneration arrangements[1]**			
2017					Arising during year	Issued during year[2]	Entitlem't at end of year	Fair Value of annual entitlem't
Richard Schroder	15,752,381	-	-	15,752,381	-	-	-	-
Barry Tan	17,520,001	215,525	-	17,735,526	53,333	(22,064)	31,269	15,201
Dr Ila Temu	510,000	215,525	-	725,525	61,256	(22,064)	39,192	17,465
Richard Robinson	300,000	231,674	(531,674)	-	30,271	(30,271)	-	9,372
Alain Vinson	28,744,029	-	-	28,744,029	60,822	-	60,822	4,653
David Vance	-	146,693	-	146,693	66,067	(23,640)	42,427	17,590
Alex Mitchell	-	44,450	-	44,450	-	-	-	-
Total	62,826,411	853,867	(531,674)	63,148,604	271,749	(98,039)	173,710	64,281

	Balance at beginning of year or date of appointment	**Purchased**	**Balance at end of year**	**Entitlement to shares as part of approved remuneration arrangements[1]**		
2016				Total Number	Number to which entitlement arose during year	Fair Value of annual entitlem't
Richard Schroder	15,752,381	-	15,752,381	-	-	-
Barry Tan	17,520,001	-	17,520,001	193,461	53,333	14,633
Dr Ila Temu	510,000	-	510,000	193,461	53,333	14,633
Richard Robinson	300,000	-	300,000	201,403	73,170	21,949
David Vance	-	-	-	123,053	57,143	14,633
Total	34,082,382	-	34,082,382	711,378	236,979	65,848

1 The annual remuneration of non-executive directors has, since 16 May 2013, included an equity component. Issuing of the shares is subject to shareholder approval at the company's AGM. Issue of all of the shares to which directors have become entitled since 16 May 2013 remain subject to shareholder approval, and hence the holding quantities above do not include such amounts. However, as it is reasonably expected that such approval will occur, the value of the shares has been expensed annually and reflected in a corresponding increase in reserves. It is expected that shares due to directors will be issued at the next Annual General Meeting.

2 The amount shown is the amount issued *from the 2017 entitlement only*. Shares issued to NEDs during 2017 included allocations from 2013 – 2017.

Note 18 - Employee benefits

Superannuation

The 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 19 - Related party transactions

Key management personnel

Details of the compensation of key management personnel are included in note 17 and the Remuneration Report section of the Directors' Report.

Contracts

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

	Group		Company	
	2017	2016	**2017**	2016
	US$	US$	**US$**	US$
Note 20 - Notes to statement of cash flows				
(a) Reconciliation of cash				
Cash at bank and on hand	**8,933,365**	7,145,597	**8,917,785**	7,138,049
(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities				
Loss from ordinary activities after income tax	**(2,668,791)**	(2,783,811)	**(2,955,562)**	(2,744,709)
Add Back/(Deduct)				
Non-cash expense – shared based payments	**79,382**	65,848	**79,382**	65,848
Non-cash expense – depreciation	**4,303**	7,592	**4,303**	7,594
Non-cash expense – impairment charge relating to intercompany loans and investments	**-**	-	**1,119,753**	-
Non-cash income – foreign exchange loss/(gain)	**52,485**	28,490	**52,012**	28,173
Non operating item – exploration expense relating to investment activity	**559,120**	715,147	**142,058**	715,147
Changes in assets and liabilities relating to operations:				
- decrease in receivables	**35,045**	104,531	**35,515**	104,558
- Increase/(decrease) in trade and other payables	**(56,010)**	(140,045)	**(56,942)**	(183,041)
- Increase/(decrease) in other creditors	**48,256**	(6,922)	**46,616**	(2,960)
- Increase/(decrease) in provisions	**92,785**	-	**-**	-
Net cash (used in)/provided by operating activities	**(1,853,425)**	(2,009,170)	**(1,532,865)**	(2,009,390)

Note 21 - 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.

- 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 16.75% 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 2017	Balance at beginning of the year	Exploration costs incurred	Exploration costs expensed	Pre Development costs incurred	Receipt for abandon. obligation	Balance at year end	% of total expenditure
	US$	US$	US$	US$	US$	US$	%
PPL 338	13,767	83,187	(83,187)	-	-	13,767	0.05
PPL 339	25,017	90,268	(90,268)	-	-	25,017	0.10
PPL 340	16,205	66,389	(66,389)	-	-	16,205	0.06
PPL 435	26,611	77,704	(77,704)	-	-	26,611	0.10
PPL 436	24,604	95,636	(95,636)	-	-	24,604	0.10
PPL 437	5,694	51,303	(51,303)	-	-	5,694	0.02
PPLs 581/596/597/598	-	4,896	(4,896)	-	-	-	0.00
PRL 21	21,694,118	642,768	(642,768)	441,698	(623,028)	21,512,788	83.68
PRL 38	4,085,321	86,587	(86,587)	-	-	4,085,321	15.89
	25,891,337	**1,198,738**	**(1,198,738)**	**441,698**	**(623,028)**	**25,710,007**	**100.00**

31 Dec 2016	Balance at beginning of the year	Exploration costs incurred	Exploration costs expensed	Pre-Development costs incurred	Cost of Acquisition	Balance at year end	% of total expenditure
	US$	US$	US$	US$	US$	US$	%
PPL 337	19,205	18,207	(37,412)	-	-	-	-
PPL 338	13,767	118,759	(118,759)	-	-	13,767	0.05
PPL 339	25,017	295,293	(295,293)	-	-	25,017	0.10
PPL 340	16,205	68,677	(68,677)	-	-	16,205	0.06
PPL 435	26,611	157,356	(157,356)	-	-	26,611	0.10
PPL 436	24,604	82,048	(82,048)	-	-	24,604	0.10
PPL 437	5,694	134,958	(134,958)	-	-	5,694	0.02
PRL 21	21,224,211	508,376	(347,615)	309,146	-	21,694,118	83.79
PRL 38	4,085,321	498,049	(498,049)	-	-	4,085,321	15.78
	25,440,635	**1,881,723**	**(1,740,167)**	**309,146**	**-**	**25,891,337**	**100.00**

Note 22 - Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the consolidated group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the consolidated group, to set appropriate risk limits 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 Group's activities expose it to a limited number of financial risks as described below. The 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**	
	2017	2016	**2017**	2016
	US$	US$	**US$**	US$
Financial assets				
Cash and cash equivalents	**8,933,365**	7,145,597	**8,917,785**	7,138,049
Trade and other receivables	**116,881**	150,123	**19,461**	147,671
Other current assets	**19,828**	25,014	**19,825**	25,011
Other non-current assets	**303,800**	214,480	**303,800**	214,480
Total	**9,373,874**	7,535,214	**9,260,871**	7,525,211
Financial liabilities				
Trade and other payables	**428,310**	439,287	**182,912**	426,410
Provisions	**89,477**	18,031	**-**	-
Loans payable	**-**	-	**592,959**	464,221
Total	**517,787**	457,318	**775,871**	890,631

Specific financial risk exposures and management

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

Interest rate risk

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

	Group		**Company**	
	2017	2016	**2017**	2016
	US$	US$	**US$**	US$
Cash in bank	**8,933,365**	7,145,597	**8,917,785**	7,138,049
Other non-current assets	**303,800**	214,480	**303,800**	214,480
Cash and cash deposits	**9,237,165**	7,360,077	**9,221,585**	7,352,529

The Group's main interest rate risk arises from cash and cash deposits. Cash maintained in short term deposits earned a floating interest rate of approximately 1.4% (2016: 2.0%). 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

As part of the agreement to transfer Kina Petroleum Limited's interests in PRL 21, PRL 38 and PPL 339 to wholly owned subsidiaries incorporated for the purpose of holding these interests, Kina Petroleum Limited has agreed to remain liable to other Joint Venture participants to perform the obligations of these subsidiaries, in the event that the subsidiaries are unable to.

Contractual commitments

Kina Petroleum Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment as at 31 December 2017.

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	
	2017	2016	**2017**	2016
	US$	US$	**US$**	US$
Cash in bank				
In Papua New Guinea (PNG) Kina	**81,165**	43,096	**80,381**	42,205
In Australian dollar	**164,742**	130,254	**149,946**	130,254
Short-term deposit				
In Australian dollar	**-**	-	**-**	-
Other non-current assets				
In PNG Kina	**303,800**	214,480	**303,800**	214,480
	549,707	387,830	**534,127**	386,939

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.

		Group		Company	
	Sensitivity rate	**2017**	2016	**2017**	2016
		US$	US$	**US$**	US$
PNG Kina-denominated Cash and cash equivalents	1% (2016 – 1%)	**3,850**	2,576	**3,842**	2,567
Australian dollar-denominated Cash and cash equivalents	2% (2016 – 2%)	**3,295**	2,738	**2,999**	2,605
Total increase/decrease in post-tax profit		**7,145**	5,314	**6,841**	5,172

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits at 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 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 $9,373,874 (2016: $7,535,214) and financial liabilities $517,787 (2016: $457,318) have a maturity within 12 months of 31 December 2017.

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 23 - Earnings per share

	2017	2016
	US$	US$
Operating loss after income tax used in the calculation of basic and diluted loss per share	2,668,791	2,783,811
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	308,384,833	306,898,921
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted loss per share	308,384,833	306,898,921

Note 24 - Controlled Entities

Controlled Entities Consolidated

		Percentage Owned (%)	
Subsidiaries of Kina Petroleum Limited	**Country of incorporation**	**2017**	**2016**
Kina Oil and Gas Pty Limited	Australia	100	100
Kina Petroleum (PRL 21) Limited	Papua New Guinea	100	100
Kina Petroleum (PRL 38) Limited	Papua New Guinea	100	100
Kina Petroleum (PPL 337) Limited	Papua New Guinea	100	100
Kina Petroleum (PPL 338) Limited	Papua New Guinea	100	100
Kina Petroleum (PPL 339) Limited	Papua New Guinea	100	100
Kina Petroleum (PPL 340) Limited	Papua New Guinea	100	100
Kina Petroleum (PPL 435) Limited	Papua New Guinea	100	100
Kina Petroleum (PPL 436) Limited	Papua New Guinea	100	100
Kina Petroleum (PPL 437) Limited	Papua New Guinea	100	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. At 31 December 2017 a provision for impairment of this investment was brought to account. The amount of the provision was $US 281,394 and the carrying value at balance date is therefore $US 484,417.

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 10 November 2015, each with share capital of US$ 0.34. These other subsidiaries were dormant at 31 December 2017.

Note 25 - Joint operations

The Company has entered into a joint operations agreement for PRL 21 and PPLs 339 & 437 in relation to the exploration, appraisal development, product and disposition of petroleum covered by those licences. The Company has a 16.75% participating interest in PRL 21, a 30%* interest in PPL 339 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:

	2017 US$	2016 US$
Current assets		
Trade and other receivables	**94,498**	92,695
Non current assets		
Exploration, evaluation and development expenditure	**25,603,803**	25,785,133
Total assets employed in the join operations	**25,698,301**	25,877,828
Non current liabilities		
Trade and other payables	**(229,950)**	(55,012)
Total net assets (liability) employed in the operations	**25,468,351**	25,822,816

* Upon completion of the farmin to Santos Ltd dated 7 December 2017, Kina's participating interest will reduce to 10%.

Note 26 - Events occurring after the reporting period

The directors are not aware of any other matters or circumstances since 31 December 2017 not otherwise dealt with in the report or the financial statements that have significantly affected, or may significantly affect, the operations of the company, the results of those operations of the company, or the state of affairs of the company in subsequent financial years.

The financial report was authorised for issue on 21 March 2018 by the Board of Directors.

Note 27 – Reserves

The foreign currency valuation reserve pertains to translation adjustment arising from the consolidation of the subsidiary's balances. The translation adjustment credited to reserves during the year amounted to US$ 35,726 (2016: debit of US$ 4,901).

The foreign currency valuation reserve had a closing balance, in debit, of $US 113,717 (2016: $US 149,443)

Reserves also include a movement in the value of shares which were, and 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 debit of US$ 173,054 (2016: credit of US$ 65,848).

Where the value of options are disclosed and brought to account in accordance with IFRS 2, that value is expensed in the Statement of Financial Position and reflected in a reserve in the Statement of Financial Position. If the options are exercised, the balance of the reserve relating to the options exercised is transferred to share capital. If the options lapse, the prior movement in the reserve balance relating to the lapsed options is reversed and a credit is processed against retained earnings.

The share vesting reserve had a closing balance, in credit, of $US 47,946 (2016: $US 216,216).

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Note 28 – Capital and leasing commitments				
(a) Operating lease commitments				
Non-cancellable operating leases contracted for but not recognised in the financial statements				
Within one year	**75,791**	85,018	**30,791**	32,058
Later than one year but not later than 2years	**30,000**	-	**-**	-
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

The group has entered into joint operations for the purpose of exploring and developing certain petroleum interests. To maintain these interests, the group is required to make contributions to ongoing exploration and development programs. Since such programs are subject to continual review by operating committees (upon which the Group is represented) and the government of Papua New Guinea, the extent of future contributions in accordance with these arrangements is subject to continual re-negotiation.

Subject to the above-mentioned limitations, the directors have prepared the following disclosure of exploration and development expenditure commitments related to aerial surveys, seismic surveys and drilling of wells not recognised in the consolidated financial statements. These are payable as follows based on current status and knowledge of estimated quantum and timing of such commitments.

	2017	2016
	US$	US$
Within 1 financial year	600,000	-
Later than 1 financial year but not later than 5 financial years	34,025,000	22,375,000
After 5 financial years	-	-
TOTAL	**34,625,000**	**22,375,000**

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

Not included in the above estimates are potential expenditure commitments for the PPL 339 licence. At the date of this report, Kina and its joint venture partners were awaiting licence extension. This is expected during 2018. Upon extension, the Joint Venture will be required to drill one well within the first two years of the licence's existence at a minimum cost of $US 5 million. During years 3 & 4 of the licence a second well is required to be drilled at a minimum cost of $US 20 million. Kina's participating interest in the PPL 339 licence is presently 30% though this is expected to decrease to 10% upon completion of the farmout to Santos (subject to the terms of the farmout agreement).

Note 29 – Contingent Asset

On 7 December 2017, through wholly owned subsidiary Kina Petroleum (PPL 339) Limited, the Company entered into a farmout agreement ("the Agreement") with Barracuda Limited, a wholly owned subsidiary of Santos Ltd.

The Agreement will see Santos acquire a 20% interest in PPL 339 with an option to return the equity to the Company depending on the results of geophysical programs to be undertaken prior to drilling. The Agreement also requires Santos to pay $US 825,000 to the Company in respect a partial carry of drilling costs that they will acquire from the Company. This payment is not dependent upon Santos continuing to hold the 20% participating interest but is contingent upon (i) receipt of customary government approvals (ii) consent of joint venture partners to the various transfers contemplated by the agreement, and (iii) extension of the PPL 339 licence.

Declaration of Directors

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 21 to 47, 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 2017 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 with International Financial Reporting Standards and give a true and fair view of the financial position of the company at 31 December 2017, and of the financial performance of the company for the 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 23rd day of March 2018

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:

	Group		Company	
	2017	2016	**2017**	2016
	Kina	Kina	**Kina**	Kina
Revenue	**11,560**	187,334	**10,876**	186,634
Net loss	**(8,676,106)**	(8,866,112)	**(5,963,260)**	(8,741,576)
Total assets	**115,520,565**	109,141,182	**119,985,665**	111,607,910
Total liabilities	**1,774,607**	1,492,552	**2,553,887**	2,906,762
Net assets	**113,745,958**	107,648,630	**117,431,778**	108,701,148

Independent auditor's report

To the shareholders of Kina Petroleum Limited

Report on the audit of the financial statements of the Company and the Group

Our opinion

We have audited the financial statements of Kina Petroleum Limited (the Company), which comprise the statements of financial position as at 31 December 2017, and 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 which 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 2017 or from time to time during the financial year.

In our opinion, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and

- give a true and fair view of the financial position of the Company and the Group as at 31 December 2017, and their financial performance and cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

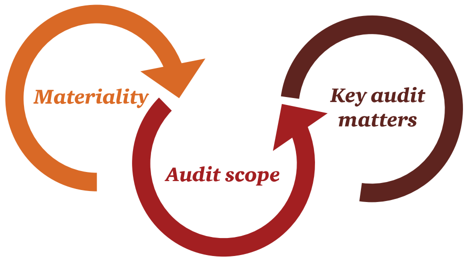
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of taxation advice. The provision of these other services has not impaired our independence as auditor of the Company and the Group.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Company and the Group, their accounting processes and controls and the industries in which they operate.



Materiality	*Audit scope*	*Key audit matters*

• For the purpose of our audit of the Group we used overall group materiality of K350,000 which represents 1% of the Group's total assets.
• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.
• We chose total assets as, in our view, it is the metric against which the financial position of the Group is most commonly measured and is a generally accepted benchmark.
• We selected 1% based on our professional judgement noting that it is also within the range of commonly acceptable related thresholds.
	• We (PwC Papua New Guinea) conducted audit work over all the subsidiaries which comprise the Group consolidation.
	• All subsidiaries of the Group are incorporated and operating in Papua New Guinea with the exception of one subsidiary incorporated in Australia.
	• Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
		• Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee:
		  ◦ Exploration and evaluation expenditure impairment assessment
		  ◦ Going concern assessment
		• These matters are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key matters to be communicated in our report.

Further, commentary on the outcomes of the particular audit procedures is made in that context.

Key audit matter	How our audit addressed the key matter
Exploration and evaluation expenditure of US$25.7m impairment assessment *(Refer to note 9 of the financial statements)* Our audit focused on the assessment of whether there was any impairment in the carrying value of the exploration and evaluation expenditure asset because this is the most significant asset of the Group. The asset includes capitalised expenditure in relation to a number of exploration interests which are at varying degrees of advancement. With the current oil and gas pricing the Group determined that there was an indicator of potential impairment and so performed an impairment assessment of its exploration interests where economic interests of hydrocarbons have been discovered. The Group has one exploration interest at an advanced evaluation stage and has prepared a calculation of the value of that interest based on a model of the interest in future production. The other interests are not at a sufficiently advanced stage to require such an assessment. The production model uses a number of forward looking assumptions including oil and gas future pricing and the value calculation is sensitive to these. We considered this a key audit matter because of the significant judgements around future oil and gas pricing and the discount rate to be applied in assessing whether there was any impairment of the carrying value of the asset.	As there was an indicator of potential impairment we have considered and tested the production model. We compared the model with the previous year's model and found it was consistently structured and consistent with the preparation required by the basis of accounting. We benchmarked the assumptions used around long term oil and gas prices with external forecasts, and the discount rates with our expectation based on the overall estimated Weighted Average Cost of Capital (WACC) for the Group. Together with our valuation expert we reviewed the methodology used in determining the discount rate applied. We performed sensitivity analysis on assumptions. We determined that the calculations were more sensitive to assumptions for oil and gas pricing and discount rates and focused our testing on these assumptions. We have also read the exploration licence terms and conditions and examined exploration budgets for 2018 to understand ongoing activities as part of our testing.
Going concern assessment *(Refer to note 1 of the financial statements)* The nature of the Group's current activities to pursue, acquire and develop oil and gas assets means it has not generated significant revenues,	We assessed the appropriateness of the going concern basis of accounting by evaluating the future plan of activities and testing the cash flow projections prepared by the Group, which included: - Assessing the design of the Group's cash flow

and for 2017 it incurred a loss of US$2.7m. The financial statements continue to be prepared on a going concern basis as the Group expects to have sufficient working capital to carry out its stated objectives for at least 12 months from the balance date of the financial statements. The Group has prepared cash flow projections which include a number of assumptions and judgements, including estimates of expenditure on projects and administrative expenses, and these projections are used to support the sufficiency of working capital. We focused on this matter as if it were inappropriate for the financial statements to be prepared on the going concern basis the values of certain assets and liabilities as set out in the financial statements might be significantly different.	projection model for the year ending 31 December 2018 and its consistency with our understanding of the Group's planned activities. - Comparing the approved 2018 expenditure budget by area of interest for exploration and evaluation activity with the cash flow projection inputs. - Comparing forecast administration expenses with actual levels of expenditure for the 2017 year and obtaining explanations for any significant differences. - Obtaining representations from management and the directors as to the adequacy of cash resources and the completeness of financial statement disclosures in respect of going concern.

Information other than the financial statements and auditor's report

The directors are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the company for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that 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 2017:

- We have obtained all the information and explanations that we have required;

- In our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Who we report to

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

Christopher Hansor
Partner
Registered under the Accountants Act 1996

Port Moresby
23 March 2018

ADDITIONAL INFORMATION

Additional Australian Securities Exchange information as at 20 March 2018.

Number of holders of equity securities

Fully Paid Ordinary Shares

382,752,788 fully paid ordinary shares are held by 835 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	50	4,903
1,001 - 5,000	105	312,435
5,001 - 10,000	111	909,350
10,001 - 100,000	418	15,091,922
100,001 and over	151	366,434,178
TOTAL	**835**	**382,752,788**
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 2017 were:

	Fully paid ordinary shares	
Holders	**Number**	**Percentage**
PIE Holdings LP & Phillipe E Mulacek	76,512,283	19.99%
Rene Gerard Jacquin	76,512,282	19.99%
Alain Vinson	28,744,029	7.50%
Lasco Holdings LLC	21,038,796	5.50%
	202,807,390	**52.98%**

ADDITIONAL INFORMATION

Top 20 Holders – Quoted Fully Paid Ordinary Shares as at 20 March 2018

Rank	Name	Units	% of Units
1	CITICORP NOMINEES PTY LIMITED	149,154,695	38.97%
2	RENE GERARD JACQUIN	51,512,282	13.46%
3	BARRY JAMES TAN	17,735,526	4.63%
4	PHILLIPE E MULACEK	15,132,500	3.95%
5	MANHOL PTY LTD	12,767,004	3.34%
6	MACQUARIE BANK LIMITED	11,644,660	3.04%
7	MR RICHARD JOHN SCHRODER & MRS JENNIFER MARY SCHRODER	10,042,857	2.62%
8	PEWOVE PTY LIMITED	10,000,000	2.61%
9	LASCO HOLDINGS LLC	8,355,218	2.18%
10	LIN XIAO LANG	8,243,689	2.15%
11	MR RICHARD JOHN SCHRODER & MRS JENNIFER MARY SCHRODER	5,000,000	1.31%
11	JSC INVESTMENT LIMITED	5,000,000	1.31%
12	EQUITAS NOMINEES PTY LTD	4,593,204	1.20%
13	MR LUPCO BOGDANOVSKI	3,200,000	0.84%
14	KDMA 888 PTY LTD	2,901,691	0.76%
15	EQUITAS NOMINEES PTY LIMITED	2,500,000	0.65%
16	PACIFIC NOMINEES LIMITED	1,500,000	0.39%
17	AJM NOMINEES (VIC) PTY LTD	1,460,078	0.38%
18	MR HUANONG LIN	1,432,500	0.37%
19	WARMAN INVESTMENTS PTY LIMITED	1,426,190	0.37%
20	MELDA SUPER PTY LTD	1,370,000	0.36%
	TOTAL	324,972,094	84.90%
	Balance of Register	57,780,694	15.10%
	Grand TOTAL	**382,752,788**	**100.00%**

ADDITIONAL INFORMATION

DIRECTORS

Mr David Vance	Non Executive Chairman
Mr Richard Schroder	Managing Director
Mr Barry Tan	Non Executive Director
Dr Ila Temu	Non Executive Director
Mr Alain Vinson	Non Executive Director

COMPANY SECRETARY
Mr Peter Impey

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