KINA PETROLEUM LIMITED
HALF YEAR REPORT

COMPANY NO. 1-63551 ARN 151 201 704

FOR THE HALF YEAR ENDED 30 JUNE 2013

The Directors present their half year report on the Company and its controlled entity for the half year ended 30 June 2013.

DIRECTORS

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

John Prendiville, Non Executive Chairman appointed 31 May 2011

Mr Richard Schroder, Managing Director appointed 31 May 2011

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

Barry Tan, Non-Executive Director appointed 1 March 2009

Half year report to the stock exchange

Kina Petroleum Limited (ASX: "KPL") currently maintains working interests in 8 exploration licences in PNG. Results of operations for the year involve mainly exploration activities on these licenses. Income during the comparative periods presented pertains solely to interest income earned from cash and cash equivalents.

Highlights for the half year ended 30 June 2013:

- Acquisition of PPL 437, adjacent to the Elevala and Ketu fields
- Entry of Osaka Gas into PRL 21 licence
- Continuation of FEED activity in PRL 21 licence
- Construction of well pad and mobilisation of rig for drilling of Tingu well in PRL 21.
- Progression of farmout activity
- Commencement of seismic program with Oil Search in PPL 338 over potential Triceratops extension
- Prospects and leads defined in PPLs 435, 436 and 437

Petroleum Retention Lease (PRL) 21

KPL currently maintains a 15% working interest in PRL21.

The half year ended 30 June 2013 was notable for two milestones in the licence. Pre-FEED activity in relation to development of a liquids project from the Elevala and Ketu discoveries was completed, as was site construction for the Tingu well (spudded at the end of August 2013 and drilling ahead at the date of this report).

The pre-FEED activity for a liquids project was completed and demonstrated the feasibility of a project which would see liquids stripped from the gas in the Elevala and Ketu fields, with the gas re-injected for later commercialisation. The development will capitalise on the learnings from the nearby development of the PRL 4 field, with liquids piped to Kiunga and then transported down the Fly river to market. Crucially, the pre-FEED studies have demonstrated the ability to integrate further resources, eg. Tingu, into a project.

Based on the results of the pre-FEED work, the joint venture has commenced detailed FEED studies with the objective of submitting an application for a development licence by the end of the first quarter of 2014.

Construction of the Tingu well site was completed during the half year and rig move commenced in early July 2013. The Tingu well is 9 kilometres north west of the Elevala discovery and will be drilled to a depth of around 3,250 metres, taking 45 days to drill and will target the following estimated gross quantities of hydrocarbons:

Probability	Gas	Oil
	BCF	MMBBLS
P90	230	12.7
P50	415	23.1
Pmean	459	25.6
P10	741	41.3

Table 1: Tingu Resource Estimate

Petroleum Prospecting License (PPL) 337 (Kina Interest 100%)

Original License Awarded Date 2 September 2009

KPL is well advanced in respect of farm out discussions in PPL 337. The Kwila and Rain Tree Prospects have been high graded and are the focus of these farm out discussions. Kwila is a Pleistocene sandstone gas prospect and Rain Tree a Miocene carbonate prospect. Target depths are in the 500-1000m range with testing at these depths possible with the use of either conventional or slim hole drilling technology.

Road infrastructure into both locations is good and cost estimates are being prepared for both wells. Operational costs are lower in PPL 337 because of good deep water port access into Madang and good road access to both locations for drilling and third party contractor support. Contact has been established with PNG DPE, Madang Provincial Government and land owners to facilitate progress of these activities.

Work carried out by CSIRO confirms that gravels recovered from the Sogeram River are from reefs of Miocene to Pliocene age. The Rain Tree Lead has mounded seismic character and if closed is the first large closure to the north of the Ramu Basin. The Kwila Prospect is a footwall test of a turbiditic Pleistocene sand trap draining the southern part of the same gas kitchen. Gas charge is confirmed by prolific gas seeps in the vicinity of the Kwila Prospect.

Petroleum Prospecting License (PPL) 338 (Kina Interest 100%)

Original License Awarded Date 2 September 2009

Line clearing for the Tagula Seismic Program commenced on 29 May and recording will commenced in August 2013. The Tagula Seismic Program is targeting an extension of the Triceratops discovery into the northern portion of PPL 338. Interoil is acquiring the program of up to six seismic lines on behalf of the PPL338 group with the program cost being borne by Oil Search.

A helicopter-borne Gravity Gradiometery program over Triceratops was completed during the half year. The data from this program will be used in conjunction with the seismic data to ascertain if the Triceratops discovery extends into PPL 338 (and if so, the scale of such an extension), whether other structures are present and whether a well is justified in this part of the licence.

Oil Search has a right to move to 70% in the licence by carrying KPL through a well to a capped cost.

Petroleum Prospecting License (PPL) 339 (Kina Interest 100%)

Original License Awarded Date 2 September 2009

During the half year the Okari helicopter-borne gravity gradiometery survey was completed over an area of reef potential in the east of the licence. The data will be used to determine if the area warrants follow-up seismic for reef prospects. The Talis Survey in the south west of PPL 339 is investigating possible reef developments at the basin margin in the vicinity of the Wulai Seismic Survey.

Seep sampling surveys were undertaken during the reporting period near the bore holes drilled by APC in 1911 in same south western part of the licence the Wulai seismic survey was acquired. At the Upoia 1 bore, greyish brown to brownish green fluids were noted bubbling out of the borehole. The fluids were described as having a sticky oily sheen. Samples were taken on 24 February, 2013 and have been sent to CSIRO for analysis. Analysis is still in progress at time of reporting.

Reprocessing of the available seismic data in the vicinity of the oil seeps has been completed. Specialist processing has improved imaging in the vicinity of Cassowary Lead and these data will be integrated with the geochemistry and gradiometry data during the forthcoming period.

Oil search has a right to move to 70% in the licence by carrying KPL through a well to a capped cost.

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

Original License Awarded Date 2 September 2009

A farm out of Kina's 100% interest in PPL 340 to Hunt Energy and Minerals (PNG) Limited was negotiated during the half year and concluded in early July 2013. The farmout provides Hunt with the ability to earn an initial 32% interest in the licence upon completion of an Aeromagnetic and Seismic program with a combined value of $5.7m. Hunt may then elect to exercise an option to earn an additional 32% which would require them to drill a well with an expected value of $7.5m

UTS Geophysics has been contracted to fly the aerogravity and aeromagnetic survey with acquisition to commence in August 2013. The survey will be overlapped with work completed previously by Interoil and the data will be used to address basin architecture and high grade basement high blocks conducive to reef development.

KPL has completed detailed studies of existing seismic data and believes that PPL 340 sits on a mobile block that has been over-thrust onto the palaeo Australian margin and the Coral Sea Basin. This high block was located in an environment suitable for mid-Miocene to recent fringing reefs with associated deep water bypass channels. As demonstrated by the Antelope discovery, these reefs have the ability to host vast volumes of hydrocarbon and are prime exploration targets. The Antelope discovery is a confirmed giant wet gas discovery source from either Mesozoic or Tertiary source rocks. Kina's studies envisage an extension of the Tertiary source facies to the southeast in front of the over-thrusted and uplifted shelf area extending north west of Port Moresby.

Well control adjacent to PPL 340 confirms both wet and dry gas source rocks have generated hydrocarbons. The Oroi-1 well intersected dry gas in the Chiria Conglomerate close to PPL 340. To date, this play has been the target for Kina's exploration effort with a view to meeting energy requirements of the Port Moresby market. Access into PPL 340 is good and the terrain is suitable for vibroseis acquisition. Kina is in discussions with seismic contractors with a view to undertaking a vibroseis survey as next phase of the farm out effort after the aerogravity program.

Petroleum Prospecting License ("PPL") 435 (Kina Interest 50%)

Original License Awarded Date 25 July 2012

KPL has completed desk top social mapping for the licence and completed initial interpretative work in the licence. KPL recognizes wet gas potential in early and late Cretaceous reservoirs within the licence. Aiambak remains the preferred lead area. The Aiambak feature forms a natural drainage focus for wet gas from the north and west and should be readily identified by the forthcoming aerogravity and aeromagnetic survey. UTS Geophysics has been awarded the data acquisition contract and operations using their airborne geophysical system will commence in September. Seismic reprocessing will commence in the next quarter and data will be integrated with the new aeromagnetic and aerogravity control.

The firm year 1 & 2 work program requirements are met by the aerogravity and aeromagnetic surveys however KPL is keen to advance its exploration effort in the licence. KPL and its 50% co-venturer Cott Oil and

Gas Limited are undertaking farm out discussions with interested parties to bring forward seismic acquisition into 2014.

An inventory of prospects and leads is being worked up and will form the basis of farm out discussions.

Petroleum Prospecting License ("PPL") 436 (Kina Interest 50%)

Original License Awarded Date 30 November 2012

Desk-top social mapping for the licence has been completed in advance of forthcoming field activity. Seismic data over the Dalbert, Sturt, Alligator, and Oriomo leads have been interpreted and a prospect and lead inventory is being prepared and will be ranked in advance of seismic activity.

KPL recognizes oil and wet gas potential in early and late Cretaceous, late Jurassic and mid Jurassic reservoirs within the licence. A series of fault blocks have been mapped that could host a large oil resource close to the Fly River and the southern coast line. These traps form at the basin edge of the Papuan Basin and remain the preferred lead areas. Field records for seismic data over the Dalbert, Sturt, Alligator, and Oriomo leads have been ordered and seismic reprocessing will commence when data is retrieved.

Modern aerogravity and aeromagnetic data coverage has been located for the licence and will be merged with data to be acquired over PPLs 435 and 437. UTS Geophysics has been awarded the data acquisition contract, with flying to commence in September/October 2013.

The year 1 & 2 work program requirements are met by the aerogravity and aeromagnetic surveys however, as with PPL 435, Kina is keen to advance its exploration effort in the licence. Kina and its 50% co-venturer Cott Oil and Gas Limited are undertaking farm out discussions with interested parties to bring forward seismic acquisition into 2014.

Petroleum Prospecting License ("PPL") 437 (Kina Interest 80%)

Original License Awarded Date 19 February 2013

The company was awarded PPL 437 in February 2013. The licence was one of 3 (the other two being PPLs 435 & 436) that were applied for in early 2012. The license covers 18 graticular blocks (1,104 km^2) and is twice the size of PRL 21 which it abuts to the north and east.

Desk-top social mapping for the licence has been completed in advance of commencing field work.

Field seismic data over the existing leads has been ordered to allow commencement of seismic reprocessing. Vintage seismic data has been interpreted and tied into the Elevala and Ketu discoveries. Kina recognizes 6 leads in the licence and has high graded Rosewood, Tea Tree and Ebony as the likely candidates for seismic acquisition. This work forms the basis for planning a seismic acquisition program that is intended to commence late in 2013. The program is likely to be a joint program with neighbouring PRL 21 and PPL 259. PPL 437 is also part of the company's farm out effort.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 30 June 2013

	2013	2012 (as restated)
	US$	US$
Revenue	**149,742**	81,454
Share-based payments	**(91,159)**	(249,398)
Administration expenses	**(434,093)**	(52,992)
Consultancy fees	**(130,665)**	(296,358)
Foreign exchange losses	**(471,812)**	(117,043)
Exploration expense	**(1,119,018)**	(1,099,690)
Loss before income tax	**(2,097,005)**	(1,734,027)
Income tax expense	**-**	-
Loss after income tax	**(2,097,005)**	(1,734,027)
Other comprehensive income		
Other comprehensive income (loss) for the period, net of tax	**674**	(6,486)
Other comprehensive income for the period	**674**	(6,486)
Total comprehensive loss for the period attributable to members of the Parent Entity	**(2,096,331)**	(1,740,513)

Earnings per share	**In US cents**	
From continuing operations:		
Basic loss per share	**(0.95)**	(1.00)
Diluted loss per share	**(0.95)**	(1.00)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	As at 30 June 2013 US$	As at 31 December 2012 US$
CURRENT ASSETS		
Cash and cash equivalents	**11,474,127**	16,199,112
Trade and other receivables	**321,517**	86,147
Other current assets	**32,913**	392,051
TOTAL CURRENT ASSETS	**11,828,557**	16,677,310
NON-CURRENT ASSETS		
Exploration and evaluation expenditure	**12,467,991**	8,693,349
Plant and equipment	**85,350**	44,548
TOTAL NON-CURRENT ASSETS	**12,553,341**	8,737,897
TOTAL ASSETS	**24,381,898**	25,415,207
CURRENT LIABILITIES		
Trade and other payables	**3,193,309**	2,221,446
NET ASSETS	**21,188,589**	23,193,761
EQUITY		
Issued capital	**26,874,291**	26,874,291
Reserves	**658,078**	566,245
Accumulated losses	**(6,343,780)**	(4,246,775)
TOTAL EQUITY	**21,188,589**	23,193,761

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half year ended 30 June 2013

	Ordinary Issued Capital US$	Accumulated Losses US$	Reserves US$	Total US$
For the period 31 December 2012 to 30 June 2013				
Balance at 31 December 2012	**26,874,291**	**(4,246,775)**	**566,245**	**23,193,761**
Loss for the period	**-**	**(2,097,005)**	**-**	**(2,097,005)**
Other comprehensive income				
Foreign currency reserve movement	**-**	**-**	**674**	**674**
Total comprehensive income	**-**	**(2,097,005)**	**674**	**(2,096,331)**
Transactions with owners in their capacity as owners:				
Options issued under Employee Incentive Plan	**-**	**-**	**91,159**	**91,159**
Balance at 31 June 2013	**26,874,291**	**(6,343,780)**	**658,078**	**21,188,589**
For the period 31 December 2011 to 30 June 2012				
Balance at 31 December 2011, as previously reported	13,211,776	(543,920)	112,748	12,780,604
Change in accounting policy for exploration and evaluation expenditure (note 1a)	-	(1,104,634)	-	(1,104,634)
Balance at 31 December 2011, as restated	13,211,776	(1,648,554)	112,748	11,675,970
Loss for the period, as previously reported	-	(517,294)	-	(517,294)
Adjustment on change in accounting policy for exploration and evaluation expenditure	-	(1,216,733)	-	(1,216,733)
Loss for the period, as restated	-	(1,734,027)	-	(1,734,027)
Other comprehensive income				
Foreign currency reserve movement	-	-	(6,486)	(6,486)
Total comprehensive income	-	(1,734,027)	(6,486)	(1,740,513)
Transactions with owners in their capacity as owners:				
Options issued under Employee Incentive Plan	-	-	249,398	249,398
Balance at 30 June 2012	13,211,776	(3,382,581)	355,660	10,184,855

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 30 June 2013

	2013 US$	2012 US$
CASH FLOW FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	**(579,323)**	(356,413)
Interest received	**149,742**	82,031
Net cash used in operating activities	**(429,581)**	(274,382)
CASH FLOW FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditure	**(4,132,343)**	(6,407,632)
Development expenditure	**(163,061)**	-
Net cash used in investing activities	**(4,295,404)**	(6,407,632)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	**-**	-
Cash acquired from Kina Oil and Gas Ltd	**-**	-
Net cash provided by/(used in) financing activities	**-**	-
Net increase in cash and cash equivalents held	**(4,724,985)**	(6,682,014)
Cash at beginning of year	**16,199,112**	11,734,701
Cash at end of period	**11,474,127**	5,052,687

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

NOTES TO THE FINANCIAL STATEMENTS
For the half year ended 30 June 2013

Note 1 - Basis of preparation

The half year financial statements are general purpose financial statements that have been prepared in accordance with IAS 34 – Interim Financial Reporting and PNG Companies Act 1997. The half year financial statements also comply with International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee.

The half year financial statements do not include all of the information required for full-year financial statements. Accordingly, these financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012.

The accounting policies applied by the Company in the consolidated financial statements for the year ended 31 December 2011 has been applied consistently with the half year financial statements.

Comparative information has been presented in the financial statements to enable an understanding of the results and financial position for the half year ended 30 June 2013.

(a) Change in accounting policy

In 2012, the Company changed its accounting policy by adopting the Successful Efforts method of accounting for exploration expenditure. Previously, the Full-Cost method of accounting for exploration expenditure was used, whereby all exploration costs were capitalised subject to an assessment for impairment. Under the Successful Efforts method, geological and geophysical costs are expensed immediately to the income statement, and the costs of unsuccessful prospects are expensed to the income statement in the period in which they are determined to be unsuccessful.

The change to the Successful Efforts methodology aligns the Company's accounting policy with those of its peers, thereby aiding comparability. The change, which requires the expensing of costs such as those relating to seismic acquisition, also ensures that costs accumulated as assets are those which are directly attributable to the discovery and exploitation of reserves of hydrocarbons. The Group believes that the Successful Efforts method provides for reliable and relevant information.

The change in accounting policy has been applied retrospectively in 2012 which resulted to restatement of previously reported balances. The table below shows the reconciliation of previously reported balances to the restated balances following the change in accounting policy.

	30 June 2012 (as previously reported)	Restatements	30 June 2012 (as restated)
Statement of financial position			
Exploration and evaluation expenditure	10,541,789	(2,321,367)	8,220,422
Accumulated losses	1,061,214	2,321,367	3,382,581
Statement of comprehensive income			
Exploration expense	-	1,099,690	1,099,690
Foreign exchange loss	-	117,043	117,043

Note 2 - Segment information

(a) Identification of reportable segments

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

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

(b) Segment information

30 June 2013	Balance at the beginning of the year	Exploration costs incurred	Exploration costs expensed	Balance at end of year
	US$	US$	US$	US$
PPL 337	19,205	111,036	(111,036)	19,205
PPL 338	13,767	61,878	(61,878)	13,767
PPL 339	25,017	78,139	(78,139)	25,017
PPL 340	16,205	77,175	(77,175)	16,205
PPL 435	26,611	211,180	(211,180)	26,611
PPL 436	24,604	210,484	(210,484)	24,604
PPL 437	5,694	209,838	(209,838)	5,694
PRL 21	8,562,246	3,933,830	(159,188)	12,336,888
	8,693,349	**4,893,560**	**(1,118,918)**	**12,467,991**

31 December 2012	Balance at the beginning of the year	Exploration costs incurred	Exploration costs expensed	Balance at end of year
	US$	US$	US$	US$
PPL 337	19,205	185,838	(185,838)	19,205
PPL 338	13,767	170,803	(170,803)	13,767
PPL 339	25,017	171,538	(171,538)	25,017
PPL 340	16,205	180,156	(180,156)	16,205
PPL 435	-	26,611	-	26,611
PPL 436	-	24,604	-	24,604
PPL 437	-	5,694	-	5,694
PRL 21	1,835,469	7,589,761	(862,984)	8,562,246
	1,909,663	**8,355,005**	**(1,571,319)**	**8,693,349**

Note 3 – Controlled entities
Controlled Entities Consolidated

Subsidiaries of Kina Petroleum Limited	Country of incorporation	Percentage Owned (%) As at 30 June 2013	Percentage Owned (%) As at 30 June 2012	Contribution to net loss For the half year ended 30 June 2013	Contribution to net loss For the half year ended 30 June 2012
Kina Oil and Gas Limited	Australia	**100**	100	**(206,744)**	(3,932)

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

Note 4 - Joint operations

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

	As at 30 June 2013 US$	As at 31 December 2012 US$
Current assets		
Trade and other receivables	**313,074**	26,443
Non current assets		
Exploration and evaluation expenditure	**12,336,890**	8,562,246
Total assets employed in the joint operations	**12,649,964**	8,588,689
Non current liabilities		
Trade and other payables	**3,055,665**	2,023,649
Total net assets employed in the operations	**9,594,299**	6,565,040

Note 5 - Earnings per share

	For the half year ended 30 June 2013 US$	For the half year ended 30 June 2012 US$
Operating loss after income tax used in the calculation of basic and diluted loss per share	**(2,097,005)**	(1,734,027)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	**220,269,188**	173,196,376
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted loss per share	**237,212,521**	208,956,531

Note 6 – Subsequent events

There were no events subsequent to balance date of a material nature.

Note 7 - Company details

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

PRINCIPAL PLACE OF BUSINESS
Australia
Suite 3, Level 6
9 – 13 Young Street
Sydney NSW 2000

PAPUA NEW GUINEA REGISTERED OFFICE
Portion 359
Scratchley Road
Badili, National Capital District
Papua New Guinea

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

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

1. the attached condensed financial statements and notes thereto of the consolidated entity, as set out on pages 9 to 12, are in accordance with the Papua New Guinea Companies Act 1997 and:

   (a) give a true and fair view of the financial position of the Group as at 30 June 2013 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and

   (b) comply with International Financial Reporting Standards IAS34: Interim Financial Reporting, other generally accepted accounting practices in Papua New Guinea, and ASX listing rules relating to half yearly financial reports;

2. the Managing Director and Chief Financial Officer have each declared that:

   (a) the financial records of the Company for the half year ended 30 June 2013 have been properly maintained in accordance with the Papua New Guinea Companies Act 1997;

   (b) the condensed financial statements and notes comply with International Financial Reporting Standards IAS34: Interim Financial Reporting, other generally accepted accounting practices in Papua New Guinea, and ASX listing rules relating to half yearly financial reports;

   (c) the condensed financial statements and notes and give a true and fair view of the financial position of the Group as at 30 June 2013 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date..

3. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated this 6th day of September 2013

Richard Schroder
Managing Director

pwc

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

Report on the half-year financial statements

We have reviewed the accompanying half-year financial statements of Kina Petroleum Limited (the Company), which comprise the condensed statement of financial position as at 30 June 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date and other selected explanatory notes for the Group. The Group comprises the Company and the entities it controlled at 30 June 2013 or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of half-year financial statements such that they present fairly the matters to which they relate in accordance with generally accepted accounting practice in Papua New Guinea and for such internal controls as the Directors determine are necessary to enable the preparation of half-year financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, anything has come to our attention that makes us believe that the half-year financial statements do not present fairly the matters to which they relate. As the auditor of Kina Petroleum Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-year financial statements of the Company, which have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting, do not present fairly the financial position of the Group as at 30 June 2013 and the Group's financial performance for the half-year ended on that date.

pwc

Restriction on distribution or use

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

PricewaterhouseCoopers

PricewaterhouseCoopers

By: Jonathan Seeto
Partner
Registered under the Accountants Act 1996

Port Moresby
6 September 2013