Kina
PETROLEUM LIMITED

KINA PETROLEUM LIMITED
HALF YEAR REPORT

COMPANY NO. 1-63551 ARN 151 201 704

FOR THE HALF YEAR ENDED 30 JUNE 2014

The Directors present their half year report on the Company and its controlled entity for the half year ended 30 June 2014.

DIRECTORS

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

Mr 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

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

Mr Richard Robinson, Non-Executive Director appointed 11 December 2013

Half year report to the Australian Stock Exchange

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

Operational Highlights and Updates

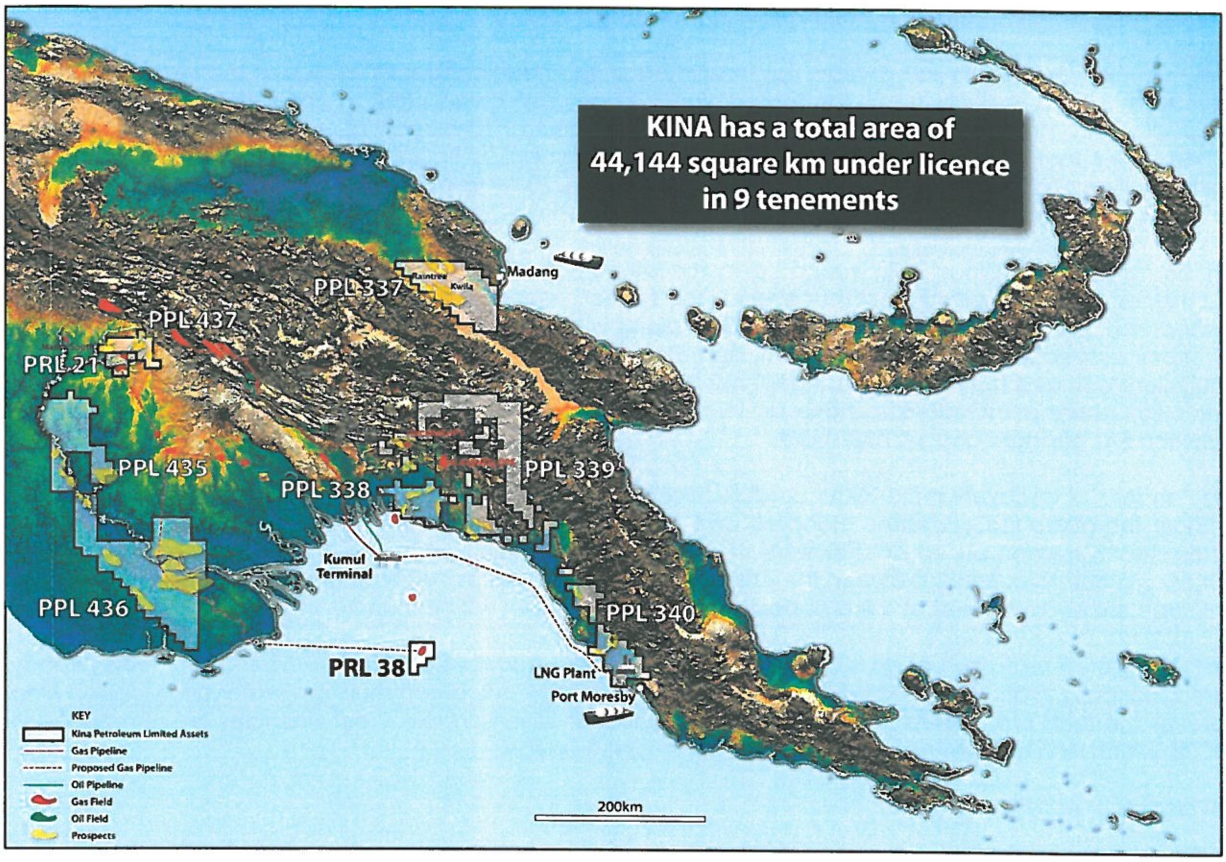
The six months was notable for the progression of operational activity across these licences, including movement towards a liquids development in PRL 21, and preparation for both drilling in PPL 337 and seismic in PPL 437. The wells in PPL 337 will target large upside resources in the North New Guinea Basin while the seismic program in PPL 437 is aimed at delineating a drillable target at the Malisa South Prospect, immediately north of the Elevala and Ketu fields.

The significant commercial activity in PNG during the half year, notably in relation to the Elk/Antelope gas resource, has also brought into frame the look through values of KPL's retention and exploration acreage. Additionally, KPL has significantly improved its understanding of the sub-surface potential of PPLs 338, 339, 340, 435 & 436

Highlights for the half year ended 30 June 2014:

- **PRLs 21 and 38 – submission of PDL application in PRL 21 and improved value of Kina's resource base from robust look-through valuations based on Independent Expert's Reports.**
- **PPL 337– scouting and environmental studies completed for a 2 well program, commencing in October of 2014, with Raintree-1 and Kwila-1 nominated for drilling.**
- **PPL 437 - Seismic operations (Gosur 2014 program) commenced with completion expected late August, with a view to maturing a drilling location at Malisa South**
- **PPL 338 & 339 – Interoil's transactions in PRL 15 and PPLs 475, 476 and 477 plus the Pac LNG transaction in PRL 15 have enhanced the value of Kina's neighbouring PPLs 338, 339 and seismic interpretation confirms prospectivity at updip extension of Triceratops, Mangrove, Nipa and Bowerbird**
- **PPLs 435 & 436 – Data from aerogravity and aeromagnetic survey in Western Province completed and evaluation underway**
- **PPL 340 - Aerogravity survey shows a number of lead areas for reef targets**

Map of Kina Petroleum's licence interests



Operational Highlights and Updates (cont.)

The submission of a Petroleum Development Licence Application for a liquids project in PRL 21 is a significant milestone for the company.

The viability of the project is underpinned by the gas in the Elevala and Ketu accumulations having a liquids richness twice that of the gas in the Stanley field (in the recently approved PDL 10), while the PRL 21 resource size itself is nearly 3 times as great as Stanley. These factors, coupled with the State's positive approach to development, create a framework for a robust development.

The value of gas in PNG was highlighted earlier this year by the price paid by Oil Search for equity in PRL 15: $900million for a 22.835% participating interest, or 73c per MCF. This pulls into focus firstly, the value of Kina's 15% interest in PRL 21, secondly, the potential value of Kina's 25% interest in PRL 38, and notably, the value inherent in Kina's PPL 338 and 339 exploration acreage which is close to PRL 15.

During September, field operations commenced in PPL 337 where Kina will test multi-TCF targets at the Raintree and Kwila prospects. Kwila is a test of a sandstone play which could host large quantities of gas. Raintree is a test of a reef play which, like Antelope in PRL 15, could also be very large. Although well-known and understood in neighbouring Indonesia, the reef play is a breakthrough play for PNG. Reefs do not occur in isolation - exemplified by the Great Barrier Reef off Australia. The Antelope discovery is one of the largest hydrocarbon discoveries in South East Asia and is close to the Papuan Basin margin. PPL 338 and 339 are also located close to this margin, and Antelope itself, and should also benefit from Miocene reef development.

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

KPL has a 15% working interest in PRL21 and a 25% working interest in PRL 38.

Drilling in PRL 21 over the last 3 years has confirmed a commercial quantity of liquids but also substantially increased the gas resource within the licence. The Independent Expert's Report commissioned by Roc Oil for what was their proposed merger with Horizon Oil, indicated an unrisked value range of USD494million to USD607million for Horizon's share of 1.024 Tcf of gas and 51mmbbls of liquids in PRL 21. This valuation implies a value for Kina's 15% interest in PRL 21 in the range of c. USD250M to c. USD310M, or between $A 1.08/share and $A 1.37/share.

PRL 38, of which KPL has 25%, is located in the offshore Gulf of Papua and contains the Pandora gas discoveries. On the basis of those discoveries, the licence was noted by the previous tenement holders to have a multi BCF accumulation of gas, and Kina, along with other JV partners, will be focussed on confirming this from available technical data. If confirmed, and were the implied unrisked value per barrel of oil equivalent ascribed to PRL 21 in the Independent Expert's Report referred to above applied to the resource, Kina's 25% share is estimated to have an implied unrisked value of circa USD250m to circa USD315m, or between $A1.10/share and $A 1.38/share.

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

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

Development Activity

The analysis of the gas and liquids recovered from the Tingu 1 and Ketu 2 production tests conducted in Oct/Nov 2013 confirmed a liquids content for these fields of 65 bbls/MMCF and 50-60bbls/MMCF respectively. These are in line with results from Elevala 2 and confirm a developable liquids resource within PRL 21.

On this basis, a development licence application for PRL 21 was submitted in March 2014. Approval of development licence for the nearby Stanley field (PDL 10) augurs well for the PRL 21 application. In the meantime, PRL 21 Front End Engineering and Development work continues in preparation for detailed engineering and design work ahead of development drilling and facilities construction that will commence upon grant of a PDL.

Potential synergies from aggregating gas from PRLs 21 and 38 may exist, and commercialisation of these resources through a potential Floating LNG (FLNG) is under review by the respective Joint Ventures. The Independent Expert's Report commissioned by ROC Oil assumes a build-own-operate (BOO) development of PRL 21 gas from a FLNG location on the coastline of Western Province. In the context of development options, Kina is encouraged by the recent commissioning of the Caribbean FLNG project. Wison, the builder of the project, has undertaken scoping studies in respect of a FLNG project in PNG. Such a development located on the coastline of Western Province would be ideally positioned for export of LNG from both PRL 21 and PRL 38.

Petroleum Prospecting License (PPL) 337

Kina interest: 100%, subject to farmout arrangements with Heritage Oil Ltd

Kina is being carried, uncapped, through a two-well drilling program in the underexplored Ramu Basin of northern PNG. Under its farmout agreement with Heritage Oil Limited ("Heritage"), Kina will divest 70% interest in the licence. In the event of encouragement at either location, Kina will be carried through a follow up seismic program costing a minimum of $US8M, and covering at least 100 line km. This is another milestone for the company, being the first exploration drilling to be undertaken by Kina outside of PRL 21. In the event of success at either location Kina's retained equity will be 30% - twice its current equity in PRL 21.

Raintree-1 will be the first well drilled, with community affairs and required EIS work complete and JV partner Heritage Oil Limited has commenced site preparations.

Raintree is a large reef play which, based on seismic evidence, looks to be mid to late Miocene age. This age is confirmed from fossilised reef debris in river gravels that gave age ranges as old as 10.5 million years. It looks to have formed as a fringing reef around a block that collided with the Australian plate within the last 10 million years. The Ramu Sub-basin is very deep and could contain oil prone source rocks although an oil charge of the reef is considered unlikely. There are however numerous biogenic gas seeps within the basin and Raintree, if charged, is a multi-TCF target.

Kwila 1 will follow Raintree-1 and will drill deep enough to test the shallow Pleistocene reservoirs and the deeper Miocene reservoirs recognised in Tsumba-1, some 70km further to the north-west of the proposed Raintree location. It will test a seismic anomaly in Pleistocene sands and numerous gas seeps have been documented and sampled at Banam. Kwila is a traditional sandstone play which has been recognised in outcrop, and sandstones of the same age have tested biogenic gas in the northwest in Indonesia at rates in excess of 6 million cubic feet of gas per day.

The gas is 98% methane and burns readily when ignited. If sufficient gas is identified by the forthcoming drilling program then commercialisation would be via an LNG export project, but in the event that a smaller gas resource is identified there exists a nearby market for power generation from gas. Two mines are within 50km of the prospects and the city of Madang is only 90km away by road.

Petroleum Prospecting Licenses (PPLs) 338 & 339

Kina Interest: 100% in PPL 338 and 100% in PPL 339 (the latter subject to farmout arrangements with Oil Search)

PPLs 338 and 339 are located at the eastern margin of the East Papuan Basin, with each licence located a mere 30-40 kilometres from the Elk-Antelope gas discovery in PRL 15 which is now held by Total, Oil Search and Interoil. Oil Search's payment of US$900 million for 22.835% of PRL 15, provides an indication of potential value of the licences and the reef play types within them. The reefs are not one-off features but form barrier reef complexes extending over vast distances. PPLs 338 and 339 are ideally located to host reef features similar to Antelope.

In PRL 15, Antelope 4 and 5 will be drilled in late 2014 the outcome of which will materially impact the value of Kina's prospects and leads within PPLs 338 and 339. Elk/Antelope is a fault controlled reefal structure with an estimated multi TCF accumulation of gas. Kina recognises upwards of nine prospects and leads within PPLs 338 and 339 which, if successful, may be able to commercialised alongside a potential development of the Elk/Antelope field.

Kina has high-graded a number of prospects and leads within the licence areas, including *Updip Triceratops*, *Mangrove*, *Nipa* and *Bowerbird*.

Updip Triceratops is partly covered by the Tagula Seismic Program (acquired in 2013) which confirms top carbonates in northern PPL 338. In Kina's assessment, it shows an updip extension of the Triceratops 2 feature into PPL 338. The seismic data do not extend far enough to the northwest to fully confirm the trap but the helicopter-borne gravity gradiometry data confirms an offsetting structural feature that should result in a trap for Triceratops Updip.

Nipa was delineated by the 2011 Seismic Survey. Seimic ties out of the Uramu 1 and Mira 1 wells indicate a condensed upper Pliocene section overlying an upper Miocene reef like seismic character at the Nipa Prospect. Mangrove, like Nipa, is believed to be an upper Miocene fringing reef updip of Nipa.

Bowerbird in PPL 339 is a lead requiring further detailed seismic. It is interpreted to be a Late Pliocene carbonate reef on the paleo-platform edge. The area is complicated by thrust faulting but the lead is highly prospective based on the oil recovered from Upoia 1 and the numerous documented oil and gas seeps reported in the area of the lead.

Kina will evaluate the effectiveness of slim-hole technology as part of the PPL 337 drilling program later this year, given that top reservoir for all the aforementioned prospects and leads are at depths that can be tested by a slim hole rig.

PPL 338 had been subject to Farm In Arrangements with Oil Search (PNG) Limited. Oil Search sought an extension of the farmin agreement, but this was inconsistent with Kina's objectives of progressing exploration activities expediously so was not granted. Kina is presently undertaking a farmout effort on PPL 338 with a view to progressing exploration drilling as early as practical and ensuring recognition of the true value of the licence's prospectivity.

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

Kina interest: 100%

An aerogravity and magnetic survey over PPL 340 was completed between September and December 2013. Interpretation of the PPL 340 data is underway and has been integrated with seismic data and a new structural architecture is evolving. Miocene Reef trends are being upgraded and the Port Moresby Lead appears to be supported by the aerogravity data. The Port Moresby Lead is very close to Port Moresby itself and, if the lead is gas charged, the capital is a natural market for any gas. The nearest well control at Oroi 1 confirmed presence of biogenic gas in the Chiria conglomerate. Nearer Port Moresby, oil was identified by the CSIRO in its evaluation of the late Cretaceous early Tertiary Barune Sandstone. This is encouraging for a possible late Cretaceous oil source in the vicinity of the Port Moresby Lead.

On 14th July Interoil announced it had suspended Wahoo-1 due to the intersection of high formation pressures within the Orubadi mudstone which contained thermogenic hydrocarbons. This considerably upgrades the liquids potential of northern PPL 340 as Wahoo is located less than 20km from the boundary of PPL 340.

PPL 340 will be subject to a farmout effort in the second half of 2014.

Petroleum Prospecting Licenses ("PPLs") 435 & 436

Kina Interest: 50% in both licences

Aerogravity and aeromagnetic surveys over PPLs 435 & 436 were completed in June 2014. Interpretation of the data will focus on the leads identified from vintage seismic programs. Part of the interpretation has been a comprehensive study of the architecture of the basement underlying the western and south-western part of the Papuan Basin.

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

Over the half year Kina has been successful in locating vintage seismic field data and will commence reprocessing of this data in the high graded areas.

The early stage work program requirements for the licence are largely met by the aerogravity and aeromagnetic surveys and once interpretation is completed, KPL and its 50% co-venturer Cott Oil and Gas Limited will undertake farm out discussions with interested parties to complete a work program including seismic acquisition and drilling.

Petroleum Prospecting License ("PPL") 437

Kina Interest: 80% (subject to farmout arrangements with Heritage)

The 2014 Gosur Seismic Survey, operated by farminee Heritage Oil, is nearing completion and Kina has been fully carried by Heritage through the program. Kina will also be carried through a subsequent exploration well flowing from the program.

The Gosur Seismic Survey is focussing on enhancing the definition of the Malisa South Prospect along trend from Tingu. The Malisa South structure is the focus for the PPL 437 Joint Venture due to its proximity to the proposed PRL 21 Development infrastructure and because of good quality Elevala and Toro Sandstones intersected in Tingu 1. The Elevala Sandstone, where testing in PRL 21 has demonsrated the capacity of single wells to flow at nearly 50MMcu ft/d and in-excess of 3000 barrels of condensate per day, remains the primary reservoir target. However, the intersection of good shows in an improved quality Toro Sandstone at Tingu 1 has elevated the Toro Sandstone as a significant deeper objective at the Malisa South Lead.

Field data from earlier seismic surveys over the Malisa South, Candlenut and Kandis leads have been sourced for reprocessing. Candlenut is deeper than Malisa South but sits between Tingu/Elevala/Ketu, P'nyang and Juha and is an area of recognised prospectivity. Kandis is a smaller feature along trend from Ketu and Ubuntu. The potential value of PPL 437 was highlighted by the recent transactions between New Guinea Energy & Santos and Oil Search & Mitsubishi whereby Santos acquired 50% of the immediately adjacent PPL 269 for up to US$40million and Oil Search acquired Mitsubishis's 10% in the same licence. PPL 269 abuts and lies directly north of PPL 437.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half year ended 30 June 2014

	2014	2013
	US$	**US$**
Revenue	**128,685**	149,742
Share-based payments	**(99,289)**	(91,159)
Administration expenses	**(344,253)**	(434,093)
Consultancy fees	**(210,171)**	(130,665)
Foreign exchange gains/(losses)	**76,837**	(471,812)
Exploration expense	**(879,744)**	(1,119,018)
Loss before income tax	**(1,327,935)**	(2,097,005)
Income tax expense	**-**	-
Loss after income tax	**(1,327,935)**	(2,097,005)
Other comprehensive income		
Foreign currency translation difference	**264**	674
Other comprehensive income for the period	**264**	674
Total comprehensive loss for the period attributable to members of the Parent Entity	**(1,327,671)**	(2,096,331)

Earnings per share	**In US cents**	
From continuing operations:		
Basic loss per share	**(0.55)**	(0.95)
Diluted loss per share	**(0.55)**	(0.95)

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 2014

	As at 30 June 2014 US$	As at 31 December 2013 US$
CURRENT ASSETS		
Cash and cash equivalents	**3,936,077**	6,458,768
Trade and other receivables	**92,617**	2,081,276
Other current assets	**33,821**	31,885
TOTAL CURRENT ASSETS	**4,062,515**	8,571,929
NON-CURRENT ASSETS		
Exploration and evaluation expenditure	**20,795,517**	21,087,750
Development expenditure	**2,554,813**	1,688,076
Plant and equipment	**65,391**	77,744
Other non-current assets	**282,170**	272,160
TOTAL NON-CURRENT ASSETS	**23,697,891**	23,125,730
TOTAL ASSETS	**27,760,406**	31,697,659
CURRENT LIABILITIES		
Trade and other payables	**1,978,577**	4,687,448
NET ASSETS	**25,781,829**	27,010,211
EQUITY		
Issued capital	**34,407,860**	30,359,250
Reserves	**182,426**	4,131,483
Accumulated losses	**(8,808,457)**	(7,480,522)
TOTAL EQUITY	**25,781,829**	27,010,211

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 2014

	Ordinary Issued Capital US$	Accumulated Losses US$	Reserves US$	Total US$
For the period 1 January 2014 to 30 June 2014				
Balance at 1 January 2014	**30,359,250**	**(7,480,522)**	**4,131,483**	**27,010,211**
Loss for the period	**-**	**(1,327,935)**	**-**	**(1,327,935)**
Other comprehensive income				
Foreign currency translation difference for the period, the period, net of tax	**-**	**-**	**264**	**264**
Total comprehensive income	**-**	**(1,327,935)**	**264**	**(1,327,935)**
Transactions with owners in their capacity as owners:				
Issue of shares in respect of 5% of PRL 38	**4,048,610**		**(4,048,610)**	**-**
Options issued under Employee Incentive Plan	**-**	**-**	**99,289**	**99,289**
Balance at 30 June 2014	**34,407,860**	**(8,808,457)**	**182,426**	**25,781,829**
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 translation difference for the period, the period, net of tax	-	-	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 30 June 2013	26,874,291	(6,343,780)	658,078	21,188,589

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 2014

	2014 US$	2013 US$
CASH FLOW FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	**(756,885)**	(579,323)
Interest received	**14,441**	149,742
Operator fee income	**114,000**	-
Net cash used in operating activities	**(628,444)**	(429,581)
CASH FLOW FROM INVESTING ACTIVITIES		
Exploration and evaluation expenditure	**(2,033,466)**	(4,132,343)
Development expenditure	**(160,781)**	(163,061)
Receipt of funds from farm-in	**300,000**	-
Net cash used in investing activities	**(1,894,247)**	(4,295,404)
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	**(2,522,691)**	(4,724,985)
Cash at beginning of year	**6,458,768**	16,199,112
Cash at end of period	**3,936,077**	11,474,127

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the half year ended 30 June 2014

Note 1 - Basis of preparation

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

The half year financial statements do not include all of the information required for full-year financial statements. Accordingly, these financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2013.

The accounting policies applied by the Company in the consolidated financial statements for the year ended 31 December 2013 has been applied consistently with the half year financial statements.

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

Going concern
These financial statements have been prepared on a going-concern basis which assumes that the Company will continue to progress its exploration and development activities in accordance with its normal plans. In order to do this, the Company will require additional funding. In this regard, at the date of this report, the Company is well advanced in its review of funding options and anticipates that during the second half of calendar year 2014 it will have secured funding sufficient to meet its contractual and licence based commitments.

Accordingly, the directors believe that such funding arrangements will ensure that the Company is able to meet its debts as and when they fall due for at least the next 12 months.

Note 2 - Cash

	30 June 2014 US$	31 December 2013 US$
(a) Composition of cash		
Cash at bank	**3,936,077**	6,458,768

(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities	30 June 2014 US$	30 June 2013 US$
Loss from ordinary activities after income tax	**(1,327,935)**	(2,097,005)
Add Back		
Non-cash expense – shared based payments	**99,289**	91,159
Non-cash expense – depreciation	**14,670**	12,714
Non-cash income – foreign exchange (gain)/loss	**(76,837)**	471,812
Non-operating item – exploration expense relating to investment activity	**879,744**	1,119,018
Changes in assets and liabilities relating to operations:		
- Increase in receivables	**(199,058)**	(2,255)
- (Increase)/Decrease in other assets	**(6,030)**	35,129
- Decrease in trade and other payables	**(12,287)**	(60,153)
Net cash used in operating activities	**(628,444)**	(429,581)

Note 3 - Segment information

(a) Identification of reportable segments

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

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

(b) Segment information

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

31 Dec 2013	Balance at beginning of the year	Exploration costs incurred	Exploration costs expensed	Development costs incurred	Cost of Acquisition	Balance at year end	% of total expenditure
	US$	US$	US$	US$	US$	US$	%
PPL 337	19,205	227,204	(227,204)	-	-	19,205	0.08
PPL 338	13,767	132,287	(132,287)	-	-	13,767	0.06
PPL 339	25,017	163,005	(163,005)	-	-	25,017	0.11
PPL 340	16,205	424,106	(424,106)	-	-	16,205	0.07
PPL 435	26,611	395,537	(395,537)	-	-	26,611	0.12
PPL 436	24,604	388,849	(388,849)	-	-	24,604	0.10
PPL 437	5,694	320,382	(320,382)	-	-	5,694	0.03
PRL 21	8,562,246	8,610,154	(264,363)	1,688,076	-	18,596,113	81.65
PRL 38	-	-	-	-	4,048,610	4,048,610	17.78
	8,693,349	**10,661,524**	**(2,315,733)**	**1,688,076**	**4,048,610**	**22,775,826**	**100.00**

Note 4 – Controlled entities
Controlled Entities Consolidated

Subsidiaries of Kina Petroleum Limited	Country of incorporation	Percentage Owned (%) As at 30 June 2014	Percentage Owned (%) As at 30 June 2013	Contribution to net loss For the half year ended 30 June 2014	Contribution to net loss For the half year ended 30 June 2013
Kina Oil and Gas Limited	Australia	**100**	100	**(163,090)**	(206,744)

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

Note 5 - Joint operations

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

	As at 30 June 2014 US$	As at 31 December 2013 US$
Current assets		
Trade and other receivables	**52,130**	1,709,338
Non-current assets		
Exploration and evaluation expenditure	**19,911,511**	19,293,136
Total assets employed in the joint operations	**19,963,641**	21,002,474
Non-current liabilities		
Trade and other payables	**1,597,826**	4,294,410
Total net assets employed in the operations	**18,365,815**	16,708,064

Note 6 - Earnings per share

	For the half year ended 30 June 2014 US$	For the half year ended 30 June 2013 US$
Operating loss after income tax used in the calculation of basic and diluted loss per share	**(1,327,935)**	(2,097,005)
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	**240,039,686**	220,269,188
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted loss per share	**241,474,754**	237,212,521

Note 7 – Subsequent events

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

Note 8 - Company details

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

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

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

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

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

1. the attached condensed financial statements and notes thereto of the consolidated entity, as set out on pages 7 to 14, are in accordance with the Papua New Guinea Companies Act 1997 and:

   (a) give a true and fair view of the financial position of the Group as at 30 June 2014 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date; and

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

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

   (a) the financial records of the Company for the half year ended 30 June 2014 have been properly maintained in accordance with the Papua New Guinea Companies Act 1997;

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

   (c) the condensed financial statements and notes and give a true and fair view of the financial position of the Group as at 30 June 2014 and of its performance, as represented by the results of its operations and cash flows for the half year ended on that date..

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

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

Dated this 11th day of September 2014

Richard Schroder
Managing Director

Independent Auditor's Review Report
to the shareholders 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 2014, 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 2014 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 2014 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
11 September 2014