Kina
PETROLEUM LIMITED

A COMPANY REGISTERED IN PAPUA NEW GUINEA

Company Number: 1-63551
ARBN: 151 201 704
Proposed ASX Code: KPL
Proposed POMSOX Code: KPL

PROSPECTUS

FOR THE OFFER OF UP TO 62,500,000 SHARES AT AN ISSUE PRICE OF $0.20 OR THE KINA EQUIVALENT PRICE OF K0.47 TO RAISE UP TO $12,500,000, TOGETHER WITH ONE ATTACHING OPTION EXERCISABLE AT $0.20 (KINA EQUIVALENT OF K0.47) FOR EVERY THREE SHARES SUBSCRIBED FOR.

IMPORTANT NOTICE

Shares and Options offered by this Prospectus should be considered speculative and potential investors should refer to Section 7 for further details concerning the Risk Factors associated with an investment in Shares and Options.

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser.

Neither Kina Petroleum Limited nor any other person guarantees the performance of the Shares or Options offered pursuant to this Prospectus, or the performance of Kina Petroleum Limited, or the return of any investment.

1. IMPORTANT INFORMATION

The Prospectus is available in electronic form from the internet at *www.kinapetroleum.com*. Persons who access the Electronic Prospectus should ensure that they download and read the Entire Prospectus. Persons having received a copy of this Prospectus in its electronic form may obtain a paper copy of the Prospectus (free of charge) during the life of this Prospectus by contacting the Company Secretary at Kina Petroleum Limited's ("Kina" or "the Company") principal place of business. Applications for Shares and Options may only be made on the Application Forms attached to the Prospectus in its paper form or as downloaded in its entirety from the Company's web site.

This Prospectus is dated 4 November 2011 and was lodged with the Australian Securities and Investments Commission ("ASIC") and the Registrar for registration under the Securities Act on 4 November 2011. Neither the ASIC, ASX, the Registrar, the Securities Commission, the IPA nor POMSoX take any responsibility as to the contents of this Prospectus. No securities will be issued or transferred on the basis of this Prospectus later than thirteen (13) months after the date of issue of this Prospectus.

The Shares and Options offered under this Prospectus should be considered speculative. The risks associated with an investment in Kina are significant. It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. Potential investors should carefully consider the factors in light of their personal circumstances and consult with their professional advisers before deciding whether to apply for Shares and Options. The securities offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the securities.

Forward Looking Statements

Various statements in this Prospectus constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way implicitly portrayed with this Prospectus. These risks, uncertainties and other factors include, but are not limited to, the matters described in Section 7 and in the Independent Technical Report in Section 8 of this Prospectus. The Company gives no assurance that the anticipated results, performance or achievements expressed or implied in those forward looking statements will be achieved.

Foreign Jurisdiction

The offer does not constitute a public offer in any jurisdiction other than Australia and Papua New Guinea. The distribution of this Prospectus outside Australia and Papua New Guinea may be restricted by law and therefore any person who resides outside Australia and Papua New Guinea and who receives this Prospectus should seek advice on and observe any such restrictions. The Company will not offer to sell, nor solicit and offer to purchase, any securities in any jurisdiction where such offer, sale or solicitation may not lawfully be made. Any failure to comply with these restrictions may constitute violation of applicable securities laws.

Exposure Period

The Company will make available the Prospectus without the Application Form and will not accept Applications for Shares and Options offered under this Prospectus during the Exposure Period. The Exposure Period is a seven (7) day period that commences on the date of this Prospectus, which may be extended by ASIC by a further seven (7) days. The purpose of the Exposure Period is to enable examination of the Prospectus by market participants prior to the offering of Shares and Options. That examination may result in the identification of deficiencies in the Prospectus, in which case any Application received may need to be dealt with in accordance with Section 724 of the Corporations Act. If the Exposure Period is extended, Applications will not be processed until after the end of the extended Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

Prospectus Availability

This Prospectus is available in electronic form at ***www.kinapetroleum.com***. Any person receiving this Prospectus electronically and who may lawfully purchase the securities offered hereby will on request be sent a paper copy of this Prospectus (and attached Application Forms) by Kina free of charge during the period of offer.

Electronic Prospectus

The Application Forms may only be distributed attached to a complete and unaltered copy of this Prospectus. The Application Forms included with this Prospectus contain a declaration that the investor had personally received the complete and unaltered Prospectus prior to completing the Application Forms.

Kina will not accept a completed Application Form if it has reason to believe that the Applicant has not received a complete paper copy or electronic copy of this Prospectus or if it has reason to believe that the Application Forms or electronic copy of this Prospectus has been altered or tampered with in any way.

While Kina believes that it is extremely unlikely that during the period of the Offer the electronic version of this Prospectus will be tampered with or altered in any way, Kina cannot give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of this Prospectus should immediately request a paper copy of this Prospectus directly from Kina.

Definitions and Abbreviations

Defined terms and abbreviations used in this Prospectus are explained in the Glossary at the end of this Prospectus.

Website

Any documents included on www.kinapetroleum.com (and any reference to them) are provided for convenience only and none of the documents or other information on the website is incorporated by reference into this Prospectus save for the policies and procedures relating to Corporate Governance set out in Section 6.3.

Miscellaneous

The financial amounts in this Prospectus are expressed in Australian dollars unless stated otherwise. Items and undertakings displayed in photographs in this Prospectus are not necessarily assets owned by Kina. The inclusion of photographs supplied by persons or entities other than Kina Petroleum Limited does not constitute an endorsement or recommendation by those persons or entities of Shares and Options offered under this Prospectus.

AEST

All references in this Prospectus to AEST refer to Sydney, Australia AEST, unless stated otherwise.

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2. INVESTMENT OVERVIEW

2.1 IMPORTANT NOTICE

This section is not intended to provide full information for investors intending to apply for Shares and Options offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

2.2 KEY OFFER INFORMATION AND FREQUENTLY ASKED QUESTIONS

ITEM	SUMMARY	ADDITIONAL INFORMATION
Who is the issuer of the Prospectus	Kina Petroleum Limited a Papua New Guinea registered company (Company Number 1-63551 and ARBN: 151 201 704)	Section 5.1
What are the Key Features of Kina's Strategy?	• Kina is seeking to build a successful, sustainable oil and gas company, with a regional focus, producing strong returns for all of our stakeholders • Kina will attempt to convert exploration assets or well defined production targets into cashflow producing assets as quickly as possible • Kina aims to acquire or participate in highly prospective oil and gas acreage positions proximal to proven areas and infrastructure development opportunities and in well defined production or near to production assets • Kina aims to leverage large, exploration positions through Farm-Out and other arrangements with sound joint venture partners whilst maintaining meaningful participating interests in these areas • Kina will look to achieve a sustainable and environmentally sound future in areas of operation and to achieve a high level of local participation through employment and investment	Section 5.1

What are Kina's oil and gas projects and where are they located?	• Kina is the owner of four Petroleum Prospecting Licences ("PPLs") (PPLs 337,338,339 and 340) and had an initial interest of 20% in a Petroleum Retention Licence ("PRL") PRL 21, which the Company has agreed to sell down to a 15% interest. Please see section 11.3.3 for further details. • The PPLs were awarded in September 2009 for a period of six years. PRL 21 was awarded in March 2011 for a period of five years; • These projects are located onshore PNG and cover an extensive area totalling approximately 21,627 km2 of prime oil and gas exploration acreage; • PRL 21 is in the Western Province of PNG covering an area of 730 km2, and contains two wet gas discoveries. Demand for energy, prevailing high petroleum prices and the potential for a sizeable gas and condensate resource has led to an active and immediate exploration and appraisal program to be carried out in 2011/12; • Three of the PPLs, 338, 339 and 340 are in the southern Papuan Basin which is a proven hydrocarbon province. The fourth, PPL 337 is in the North New Guinea Basin ("NNGB") which is a frontier basin that has experienced minimal exploration; • The southern Licences are proximal to proven production, infrastructure and recent major discoveries and surround NYSE listed Interoil's (NYSE: "IOC") giant Elk Antelope (8.2 tcf Sales Gas & 150 mmbl Condensate) gas condensate discovery; • PPL 337, is a large area, and has a surface anticline with numerous gas seeps. It is located close to road and port transport infrastructure in a growing, energy demanding, resource and industrial region.	Section 5.2
Why is PNG attractive as an oil and gas destination?	• PNG has an established and growing oil and gas industry including existing petroleum reserves, developing infrastructure and attractive fiscal terms for explorers and producers; • There are a number of international oil and gas exploration and development companies with operational exploration and development activities in PNG. • It is well located with respect to the growing energy demanding markets of Asia; • It has a proven and active petroleum system which remain largely unexplored with potential for large gas resources to be discovered	
Who are the Company's development partners and who are the Operators of the Licences?	• Kina's fellow interest holders in PRL 21 are Horizon Oil (Papua) Limited 45%, and Talisman Energy Niugini Limited 40%. Talisman Energy Niugini Limited had an initial interst of 35% in PRL 21; Talisman Energy Niugini Limited has agreed to purchase a 5% interest in PRL 21 from Kina. Please see section 11.3.3 for further details. • These parties have entered Joint Venture Operator arrangements whereby Horizon has been appointed Operator of the PRL 21. • Kina has entered into Farm In arrangements with Oil Search (PNG) Ltd, a subsidiary of ASX listed Oil Search Ltd (ASX: "OSH") in respect of PPL's 338 and 339. • Oil Search have the ability to earn up to a 70% interest in these two PPL's by funding the initial seismic program and dependent on the results of this seismic and its decision to secure an additional interest, fund the cost of drilling two wells at PPL's 338 and 339.	Section 11.3.3

Has there been any previous exploration, development or discoveries with the Company's projects.	• PPLs 337, 338, and 339 have experienced previous exploration including drilling of exploration wells in PPL 338 and 339. • PRL 21 encompasses two wet gas discoveries (Elevala and Ketu) which were discovered by British Petroleum Development Ltd (BP) in the early 1990's. New mapping and the potential for a sizeable gas and condensate resource provides a good opportunity to develop a commercialisation scheme along with the Company's joint venture partners;	Section 5.2 and Independent Technical Report at Section 8
What exploration and development activity is planned by the Company?	• There is a proposed high activity exploration program for the Company's projects, including the potential for six wells to be drilled over the next two years; • The proposed work programme for PRL 21 during 2011 and 2012 will address landowner and social issues, the acquisition of 105 km of 2D seismic over the Elevala, Tingyu and Ketu structures and the drilling of an appraisal well on each of the Elevala and Ketu fields. • The Elevala appraisal well (Elevala 2) will be spudded in November 2011, with the Ketu appraisal well (Ketu 2) expecting to be spudded in February 2012. • The work programme for PPLs 338 and 339 includes data review, technical studies, inventory compilation, planning field work and acquisition of seismic. • Kina's Farmin Partner in PPL's 338 and 339, Oil Search (PNG) Ltd has completed a seismic program. This initial program included a 57km program for PPL 338 and a 38km program for PPL 339. The results of these programs are expected in the 4th quarter of 2011. • It should be noted that a Phase 2 seismic program for PPL 339 is being contemplated which is likely to represent additional costs of approximately USD $2.2M to Kina. In the event this Phase 2 seismic program is carried out, then Kina will need to raise additional monies to fund this or alternatively the company may divest up to 7% of its interest in PPL 339 to be carried through this part of the PPL 339 program. • At PPLs 337and 340 exploration to be undertaken includes data review, technical studies, inventory compilation, planning field work and acquisition of aerogravity and aeromagnetics survey and seismic survey;	Section 5.2 and Independent Technical Report at Section 8
Who is the Board and Management of the Company and what experience do they have?	• The Company considers that it has assembled a well credentialed and balanced Board with Management and its consulting technical team having extensive oil and gas exploration and production experience including several years operating in Papua New Guinea;	Section 6
Are there any significant benefits payable to Directors, related parties and promoters?	• The Company has agreed to remunerate its Executive and Non Executive Directors through a combination of an appropriate salary package and market based director fees respectively. In addition, the Directors have been allocated a longer term Option incentive package; • Mr John Prendiville (Non Executive Chairman), Mr Richard Schroder (Managing Director) and Mr Barry Tan (Non Executive Director) are all existing shareholders in the Company;	Section 11.3 and 11.8
Are the Directors or any existing shareholders selling shares into this Offer	• No, none of the Directors or existing shareholders are selling Shares into this Offer. The existing Directors have indicated they intend to acquire additional Shares and Options pursuant to this Offer;	

What is the size of the Offer and what are the gross proceeds of the Offer	• The Company is offering to the public up to 62,500,000 new Shares in the Company at a subscription price of $0.20 per Share or the Kina Price Equivalent for Shares offered in PNG, to raise up to a total of $12.5 million before costs of the Offer. One attaching option with an exercise price of $0.20 and expiry date of 30 November 2012 will also be issued for every three Shares subscribed for.	Section 2.5 and Section 4
What is the Minimum Amount of the Offer	• $9,000,000. If the Minimum Amount is not raised then the Company will not proceed with the Offer and will repay all Application Monies received (without interest)	
What will the market capitalisation of the Company be at Offer Price	• The market capitalisation of the Company will be approximately $35,000,000 based on the Offer Price and Maximum Subscription	
Is the Offer Underwritten	• The Offer is not underwritten	
How does the Company intend to apply the monies raised from the IPO.	• The funds to be raised by this Offer will be up to $12.5 million. The Company's main objectives in raising funds under the Offer include; i. to contribute to the funding of the initial two year exploration and work program for the Company's existing projects; ii. to provide working capital for the Company including employment and administration costs, consulting fees and the usual costs associated with operating a publicly listed company; and iii. paying all costs associated with the Offer including obtaining a listing on ASX and POMSoX.	Section 2.4
How will the Company's objectives change if only the Minimum Subscription is raised?	• In the event the Company only raises the Minimum Subscription then the Company will look to obtain debt or other forms of financing or potentially undertake a farmout or sell down a part interest in PRL 21, PPL 340 or PPL 337 to meet its expenditure commitments associated with its projects.	
What are the financial aspects of the Company and its operations?	• The Company is involved in exploration and development of oil and gas prospective projects but is yet to commercialise any of these projects and therefore has not generated any revenues or profits; • The Company intends to apply the funds raised from the Offer as outlined above, and in the absence of a successful oil or gas discovery and subsequent economic development of this discovery, then the Company is likely to generate operating losses; • The uncertainty surrounding operating in the oil and gas industry may require the Company to contribute additional working capital to projects above that allowed for in the Company's operating budgets.	Investigating Accountant's Report at Section 9

Key financial information and financial ratios	• Given the Company's limited operating history and the fact that it has yet to commercialise any of its projects, the Company is unable to provide any meaningful key financial information or ratios, such as net profit after tax or an earnings per share ratio. Given that the Company does not have any debt financing or borrowings, it is unable to provide any meaningful gearing ratio, net interest cover ratio or working capital ratio. • Please refer to the Investigating Accountant's Report in Section 9 for the Company's financial information.	Investigating Accountant's Report at Section 9

APPLICATIONS

Am I eligible to participate in the Offer	• The Offer is open to all investors who are resident in Australia and Papua New Guinea	
How can I apply?	• Instructions on how to complete the Application Form accompanying this Prospectus are set out in Section 4.4	Section 4.4
What is the minimum application amount under the Offer?	• The minimum application size for the Offer is $2,000, or Kina 4,700.	
What is the allocation policy?	• The Board will allocate Applications based on satisfying the Minimum Amount of the Offer and to ensure an appropriate shareholder base for the Company going forward.	
When will I receive dividends?	• Is it unlikely that any dividends will be paid by the Company until such time that the Company produces reliable and continuing profits.	
What are the taxation implications of investing in the Shares?	• The taxation implications of investing in the Shares and Options will depend on each investors individual investors circumstances. Applicants should seek their own tax advice prior to applying for Shares and Options under the Offer	
Is there any brokerage commission or stamp duty payable?	• No brokerage commission or stamp duty is payable by Applicant for acquisition of Shares and Options under the Offer	
When will I receive confirmation that my Application has been successful	• Confirmations of successful Application in the form of Holding Statements are expected to be despatched by post on or around 5 December 2011	
How can I obtain further information?	• To obtain further information speak to your accountant, stockbroker, financial adviser or professional adviser. • If you require assistance or additional copies of this Prospectus you should contact your adviser.	

2.3 INVESTMENT RISKS

Are there risks in investing in Kina and its Shares?

- There are risks associated with investing in the share market generally and in this Company specifically. An investment in Kina and the objectives the Company are attempting to achieve are considered high risk.
- Please refer to Section 7 of this Prospectus where these risks are more clearly outlined, however, listed below are, in the Directors opinion, the key risks associated with this investment.
- In the event the Offer is not completed within this calender year, the Company may be unable to meet its funding obligations in relation to PRL 21. If this occurs the Company may lose a part or all of its interest in PRL 21.
- There is no guarantee of exploration success from, or profitable development of, the Company's assets.
- In respect of the Company's share of PRL 21, there is no guarantee that the proposed appraisal wells will yield a commercial discovery.
- In respect of the PPLs 338 and 339, the Company has entered into two Farm In Agreements with Oil Search (PNG) Ltd, there is no guarantee in the first instance that the results from the seismic program recently undertaken will yield prospective drill targets and therefore Oil Search may not exercise their right to fund the majority cost of two exploration wells in these two PPL's.
- The Licences PPL 337 and 340 began their 3rd year from date of issue effective 2nd September 2011. Under the terms of these Licences, the Company is required to undertake certain minimum work activity including seismic acquisition and drilling of a well during the third and fourth years of the Licenses. The Company has submitted a variation application with the Department of Petroleum and Energy to have these minimum work activities amended as well as potentially seeking Farm Out partners to contribute to the funding of these work activities. There can be no guarantee the Company will be successful in re-negotiating the minimum work activity conditions attached to PPLs 337 and 340 or in farming out an interest in these Licences. Should the Company not be successful in these activities, there is a real risk the Company may forfeit Licences 337 and 340.
- In the event the Company only raises the Minimum Subscription, the Company will look to obtain debt or other forms of financing or potentially undertake a farm-out of a part interest in PRL 21, PPL 337 or PPL 340 to meet any shortfall in its expenditure commitments that may occur. Should the Company not be successful in raising the debt or other forms of financing or achieving a part farm out of its assets on favourable terms or at all, then the Company may risk forteiting its interest in PRL21, and this may have a negative impact on the value of the Company's assets and on the value of your investment accordingly.
- Exploration and development of oil and gas projects are high risk ventures and often encounter technical difficulties which can lead to budget overruns requiring participants to make available additional cash commitments in short timeframes.
- Should the Company's exploration programs yield commercial discoveries then the Company will need to raise further finance to develop the assets. If the Company is unable to raise further funds as and when required, it may be required to reduce the scope of its operations or scale back its exploration programs as the case may be.
- Petroleum Retention Licences and Petroleum Prospecting Licences are subject to periodic renewal. There are no guarantees that the Company's PPLs or interest in its PRL will be renewed. Further, renewal or transfer conditions may be imposed upon the Company's PRL and PPLs in the future.
- Currently there is a high demand for oil and gas exploration and development equipment and infrastructure as well experienced operators of this equipment. The Company may not always have access to experienced seismic crews, drill rigs and operators and this may cause delays in the Company's exploration and development programs which may result in increased costs.

	• Foreign exchange and oil and gas price movements may adversely affect the Company's financial position, operating results and share price. • The Company is not able to predict the trading price of the Shares upon listing, and there can be no assurance that an active market in the Shares will develop or be sustained. • The Company must adhere to and comply with all environmental policies and guidelines. The Company's projects are likely to have an impact on the environment. • Immediate access to the PPLs and PRL in which the Company has an interest, cannot in all cases be guaranteed. The Company may be required to seek the consent of landholders and may be required to pay compensation to landholders to allow the Company to carry out its exploration activities. • Exploration, oil and gas development and production operations are complicated high risk, expensive ventures and success cannot be guaranteed from the Company's existing projects or any other projects acquired in the future. • For the purposes of preparing the Investigating Accountant's Report, the Investigating Accountant has relied on unaudited financial statements and there is a risk that the use of financial information that has not been subject to independent audit has the potential to be inaccurate. • Volatility in the Australian and world equity markets can impact on Kina's trading price and therefore affect the value of an investment in the Company. • Exploration and oil and gas production operations are exposed to counter party risk through joint venture partners, suppliers and customers. • The Company has a limited operating history which may make it difficult for investors to assess the past performance of the Company.

2.4 APPLICATION OF FUNDS

The funds raised from the Offer, based on the Minimum Subscription and Maximum Subscription being raised will be applied over the two year period following the date of the Prospectus as follows:

APPLICATION	MINIMUM SUBSCRIPTION AMOUNT (AUD)	PERCENTAGE OF FUNDS USED	MAXIMUM SUBSCRIPTION AMOUNT (AUD)	PERCENTAGE OF FUNDS USED
Fieldwork (Refer to Section 4(f) Budgets of the Independent Technical Report for details of these costs)	$0.6m	7%	$0.6m	5%
Seismic (Refer to Section 4(f) Budgets of the Independent Technical Report for details of these costs)	$1.12m	12%	$1.12m	9%
Drilling (Refer to Section 4(f) Budgets of the Independent Technical Report for details of these costs) These funds are likely to be applied over the coming four months from the date of the Prospectus.	$5.25m	58%	$8.48m	68%
Working Capital	$1.5m	17%	$1.5m	12%
Costs of the Offer (refer to Section 11.13 for details of these costs)	$0.53m	6%	$0.8m	6%
Total	**$9.0m**	**100%**	**$12.5m**	**100%**

The Company has an exploration and development budget of $13.925m for the two year period post completion of the Offer. This budget is to be funded from proceeds of the Offer as outlined above, plus the expected proceeds from the agreed sell down of a 5% interest in PRL 21. Please refer to section 11.3.3 for further information.

The raising of the funds under the Offer and the sell down of the Company's interest in PRL 21 is adequate to fund all of its share of expenses already incurred in relation to PRL 21 provided that Ministerial approval for the sell down is obtained, except for $US 600,000 which the Company has obtained agreement from its joint venture partners to defer payment until 31 January 2012. The Directors believe that Ministerial approval will not be withheld or delayed.

On successful completion of the Offer, the Company will have enough working capital to carry out the objectives stated in this Prospectus over the next two years.

2.5 CAPITAL STRUCTURE

The capital structure of the Company following completion of the Offer is summarised below:

FULLY PAID ORDINARY SHARES	NUMBER BASED ON MINIMUM SUBSCRIPTION	% BASED ON MINIMUM SUBSCRIPTION	NUMBER BASED ON MAXIMUM SUBSCRIPTION	% BASED ON MAXIMUM SUBSCRIPTION
Currently on Issue	111,665,801	71.3%	111,665,801	64.1%
Shares now offered for subscription	45,000,000	28.7%	62,500,000	35.9%
	156,665,801	**100%**	**174,165,801**	**100%**

**In addition the following options to purchase fully paid ordinary shares will be on issue;*

OPTIONS	NUMBER	%
Director Options currently on issue	15,250,000	42.3%
Options now offered on the basis of one Option for every three Shares subscribed for (based on Maximum subscription)	20, 833,333	57.7%
Total Options on Issue	**36,083,333**	**100%**

Please refer to Section 11.2 of the Prospectus for details on the holders and the complete terms and conditions associated with these options.

2.6 SUBSTANTIAL SHAREHOLDERS

Set out below are those shareholders classified as substantial shareholders, that is, holding greater than 5% of the voting shares as at the date of this Prospectus, and assuming the Offer is fully subscribed those shareholders that are likely to be classified as substantial shareholders post the Offer assuming the Maximum Subscription is raised.

SUBSTANTIAL SHAREHOLDERS	PRE-OFFER		POST-OFFER	
	Shares	**%**	**Shares**	**%**
Agents Nominees PTY LIMITED	6,000,000	5.37%		
Bower Bird Consolidatad PTY LIMITED	7,000,000	6.27%		
LUAGA PTY LTD <ATF JP Prendiville Family Trust>	8,296,667	7.43%		
Pewove PTY LIMITED	10,000,000	8.96%	10,000,000	5.74%
Jenny & Richard Schroder ATF The J&R Schroder Super Fund	10,000,000	8.96%	10,000,000	5.74%
JSC Investments LIMITED	15,000,000	13.43%	15,000,000	8.61%
Barry James Tan	17,520,001	15.69%	17,520,001	10.06%
Professional Nominees PTY LIMITED	23,333,333	20.90%	23,333,333	13.40%
Sub total - Substantial Shareholders	97,150,001	87.00%	75,853,334	43.55%
Other shareholders	14,515,800	13.00%	35,812,467	20.56%
IPO Shareholders			62,500,000	35.89%
Total	**111,665,801**	**100.00%**	**174,165,801**	**100.00%**

2.7 INDICATIVE TIMETABLE

Prospectus Lodged with ASIC	**4 November 2011**
Expected Opening Date	**11 November 2011**
Estimated Closing Date	**8 December 2011**
Estimated Allotment Date	**13 December 2011**
Expected Despatch of Holding Statements	**14 December 2011**
Quotation of Shares on ASX and PoMSoX expected	**19 December 2011**

These dates are indicative only and may vary. The Company reserves the right to vary the opening and closing dates of the Offer without prior notice. Applicants are encouraged to apply as soon as possible after the Offer opens as the Offer may close earlier than the date specified above. The Company also reserves the right not to continue with the Offer at any time before the allotment of Shares and Options to Applicants.

2.8 HOW TO INVEST

Applications for Shares and Options can only be made, and Shares and Options issued by the Company, if the Company receives the completed Application Form accompanying this Prospectus from the Applicant. Instructions on how to apply are set out in Section 4.4 of this Prospectus and on the back of each Application Form.

3. CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Directors of Kina Petroleum Limited, I am pleased to present this Prospectus for the Company's Initial Public Offering and invite you to become a shareholder.

The Company has accumulated in excess of 21,000 km2 of prime oil and gas exploration acreage in Papua New Guinea, a large proportion of which is close to existing infrastructure in a country that has a well established oil and gas industry with attractive fiscal operating conditions.

Kina currently owns four Petroleum Prospecting Licences ("PPLs"), PPL 337, 338, 339 and 340 located within the Papuan Basin and North New Guinea Basin. In addition, Kina has a 15% participating interest in Petroleum Retention Licence ("PRL") 21.

PRL 21 encompasses two wet gas discoveries (Elevala and Ketu) which were discovered by British Petroleum Development Ltd (BP) in the early 1990's. New mapping and the potential for a sizeable gas and condensate resource provides a good opportunity to develop a commercialisation scheme along with the Company's joint venture partners.

The Company considers that it is well positioned to undertake an aggressive exploration program on its assets over the next two years, particularly given the quality and calibre of its project joint venture partners and Farminor's. PRL 21 appraisal well, Elevala 2 is expected to spud in November 2011.

The Company's Joint Venture Partners in PRL 21 are Horizon Oil (Papua) Limited, and Talisman Energy Niugini Limited. In addition the Company's Farminor partner in PPL 338 and 339 is Oil Search (PNG) Ltd, partners that Kina considers have the technical expertise, local experience and financial capacity to co-develop and explore these exciting prospects.

The Company is confident as to the prospectivity of its Projects and considers it has assembled a technically and commercially experienced Board and Management team to develop these assets.

The Company is seeking to raise up to $12,500,000 through the issue of up to 62,500,000 Shares at $0.20 per share or Kina equivalent of K0.47 per share with one attaching option with an exercise price of $0.20 and expiry of 30 November 2012 for every three Shares subscribed for, which will be used to develop and extensively explore the Company's highly prospective oil and gas projects as well as to provide working capital for the Company.

On behalf of my fellow directors, I invite you to become a Shareholder in our Company. The Board recommends that all potential investors read this Prospectus in its entirety and, if in any doubt, seek professional advice before deciding whether to apply for Shares in the Company.

Yours sincerely
Mr John Prendiville
Non Executive Chairman

4. DETAILS OF THE OFFER

4.1 DESCRIPTION OF THE OFFER

By this Prospectus, the Company offers for subscription up to 62,500,000 Shares at $0.20 each in Australia and at the Kina Equivalent Price in PNG each to raise up to $12,500,000, together with one attaching Option for every three Shares subscribed for. The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

The rights attaching to the Shares are summarised in section 11.1 of this Prospectus. The Terms of the attaching Options are set out in 11.2.

4.2 FORECAST FINANCIAL INFORMATION

Kina will use the funds received from the Offer to continue the evaluation of its oil and gas exploration interests. Given the speculative nature of exploration for, evaluation and development of oil and gas exploration, reserves and future price predictions, there are significant uncertainties associated with forecasting future revenues and expenses. On this basis the Directors believe, in accordance with ASIC Regulatory Guide 170, that reliable forecasts cannot be prepared and accordingly have not included forecasts in this Prospectus.

4.3 MINIMUM SUBSCRIPTION

The minimum subscription for the Offer is 45 million shares raising $9 million. In accordance with the Corporations Act, no Shares or Options will be allotted by the Company until the minimum subscription or Options been received.

If the minimum subscription is not achieved within four months after the date of this Prospectus, the Company will either repay the Application Monies or issue a supplementary or replacement prospectus and allow Applicants one month to withdraw their Applications and be repaid their Application Monies.

4.4 HOW TO APPLY

If you wish to participate in the offer, you should complete the relevant Application Form (for investors in Australia or PNG, as applicable) enclosed with this Prospectus. The Application Form must be completed and payment made in accordance with the instructions set out on the reverse side of the Application Form. Payment for the Shares and Options must be made in full at the issue price of $0.20 per Share in Australia and the Kina Equivalent Price in PNG. Applicants may apply for a minimum parcel of 10,000 Shares, representing a minimum investment of $2,000 or Kina 4,700, and thereafter in multiples of 500 Shares.

From Australia, completed application forms and accompanying cheques must be mailed or delivered to:

By Hand Kina Petroleum Limited
C/- Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

or

By Mail Kina Petroleum Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

From PNG, completed application forms and accompanying cheques must be mailed or delivered to:

By Hand Kina Petroleum Limited
c/- PNG Registries Limited
Level 2, AON Haus
McGregor Street
Port Moresby

or

By Mail Kina Petroleum Limited
C/- PNG Registries Limited
PO Box 1265
Port Moresby, NCD, Papua New Guinea

Cheques should be made payable to "Kina Petroleum Limited–Share Offer Account" and crossed "Not Negotiable". Completed Application Forms must reach one of the above addresses by no later than the Closing Date. Payments by cheque will be deemed to be made when the cheque is honoured by the bank on which it is drawn.

The Company reserves the right to close the Offer early.

4.5 ALLOTMENT

Subject to ASX and POMSoX granting approval for the Company to be admitted to their respective Official Lists, allotment of Shares and Options offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all Application Monies shall be held by the Company on trust.

The Directors reserve the right to allot Shares and Options in full for any Application or to allot any lesser number or to decline any Application. The Company, subject to its discretion, will endeavour to allocate the minimum parcel of Shares and Options that can be taken up under the Offer, being 10,000 Shares and 3,334 Options having a value of $2,000 or Kina 4,700 and for which an Application is received by the Company in accordance with this Prospectus.

In determining the ultimate allocation of Shares and Options to each Applicant, the Company will endeavour to satisfy as many applicants as possible but will allocate Shares and Options on a fair and equitable basis, having regard to the requirements of the Listing Rules that the Company has a prescribed minimum number of Shareholders holding a marketable parcel of Shares and the Offer is fully subscribed. There are no provisions to increase the number of Shares or Options in the event of oversubscriptions.

Where the number of Shares and Options allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant within fourteen (14) days of the allotment date.

The Company notes that Directors, Officers, consultants to the Company and these parties friends and family may apply for Shares and Options pursuant to the Offer. As at the date of this Prospectus, the Company is not aware of the number of Shares and Options that these parties intend to apply for pursuant to the Offer and no "in principle" allocations have been made.

4.6 AUSTRALIAN SECURITIES EXCHANGE LISTING AND PORT MORESBY SECURITIES EXCHANGE

The Company will apply to ASX within seven (7) days after the date of this Prospectus for admission to the Official List and for Official Quotation of the Shares and Options offered under this Prospectus. If ASX does not grant permission for Official Quotation of the Shares and Options within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares or Options offered by this Prospectus will be allotted or issued. In that circumstance, the Company will repay all Application Monies without interest and within the period prescribed by the Corporations Act.

The fact that the ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered.

If the application to list on the ASX is granted, quotation of the Shares and Options will commence as soon as possible after successful Applicants have been issued their holding statements.

Within seven (7) days after the date of this Prospectus, the Company will also apply for admission to the official list of POMSoX and for the quotation on POMSoX of the Shares and Options offered under this Prospectus. If POMSoX does not admit the Company to the official list of POMSoX within six (6) weeks of the date of the Prospectus (or such longer period as POMSoX may agree), but ASX has granted permission for Official Quotation of the Shares and Options within three (3) months after the date of this Prospectus then the Company will withdraw its application to be admitted to the official list of POMSoX.

The fact that POMSoX may admit the Company to its official list is not to be taken in any way as an indication of the value or merits of the Company or the Shares and Options offered for subscription. POMSoX takes no responsibility for the Prospectus by admitting the Company to its official list and admitting the Shares and Options for official quotation.

If POMSoX has granted approved for quotation of the Shares and Options, allotment of the Shares and Options will be made as soon as possible after successful Applicants have been issued their respective shareholders' statements. In respect of shares traded on POMSoX, the Company will participate in the manual clearing system of POMSoX pursuant to the POMSoX Listing Rules.

4.7 CHESS

The Company proposes participating in CHESS, operated by ASX Settlement, a wholly owned subsidiary of ASX, in accordance with the Listing Rules and ASX Settlement Operating Rules.

Under this system, the Company will not issue certificates to investors. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker-sponsored, ASX Settlement will send them a CHESS statement.

The CHESS statement will set out the number of Shares and Options allotted to each holder under the Prospectus, give details of the Shareholder's Holder Identification Number and give the Participant Identification Number of the sponsor.

If you are registered on the Issuer Sponsored Subregister, your statement will be dispatched by the share registry and will contain the number of Shares and Options allotted under the Prospectus and the Shareholder's Security Holder Reference Number.

A CHESS statement or Issuer Sponsored Statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time; however a charge may be made for additional statements.

4.8 OPENING AND CLOSING DATES

The proposed opening date for acceptance of the Offer will be 11th November 2011 or such later date as may be prescribed by ASIC.

The Offer will remain open until 5.00pm AEST, 8 December 2011.

The Company reserves the right to open and close the Offer at any other date and time, without prior notice.

Applicants are encouraged to submit their Applications as early as possible.

No Shares or Options will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

4.9 RESTRICTED SECURITIES

Subject to the Company being admitted to the Official List, certain of the Shares and Options on issue prior to the Offer are likely to be classified by ASX and POMSoX as restricted securities and will be required to be held in escrow.

4.10 RISK FACTORS

You should read this entire prospectus, including Section 7 relating to "Risk Factors" before making any decision to invest. Investing in the Shares and Options should be considered as speculative and is not suitable as an investment for investors who require security of capital or income. You may wish to consult your professional advisers before investing.

The risk factors set out in Section 7, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares and Options offer pursuant to this Prospectus. Accordingly, an investment in the Company should be considered speculative.

4.11 TAXATION IMPLICATIONS

The Directors do not consider that it is appropriate to give persons advice regarding the taxation consequences of subscribing for Shares and Options under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to persons. As a result, persons should consult their professional tax adviser in connection with subscribing for Shares and Options under this Prospectus.

4.12 OVERSEAS INVESTORS

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia and PNG may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares and Options or the Offer, or otherwise to permit an Offering of the Shares and Options, in any jurisdiction outside Australia and Papua New Guinea.

The Offer pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia and Papua New Guinea.

4.13 BROKER APPLICATIONS

All valid applications lodged by stockbrokers or organisations which hold an Australian Financial Services Licence or the equivalent licence in PNG and which bear a stamp may be paid a fee of up to 6% (plus GST) of the value of those valid applications that are accepted by the Company. Please refer to Section 11.13 of this Prospectus for the estimated costs of these capital raising fees.

4.14 ENQUIRIES

If you have any queries about the Offer or how to apply for Shares, you may contact the Company during normal business hours on (02) 9977 0084. You should consult your stockbroker, accountant, or other financial or professional adviser when considering your own circumstances regarding an investment in the Company.

4.15 PRIVACY STATEMENT

If you complete an Application Form for Shares and Options, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your Shares and Options in the context of takeovers; regulatory bodies, including the Australian Taxation Office; authorised securities brokers; print service providers; mail houses and the Share Registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares and Options, the Company may not be able to accept or process your application.

4.16 SUMMARY ONLY

The information set out in this Section provides a summary of the information contained in this Prospectus. Applicants should read this Prospectus in its entirety prior to making a decision to apply for Shares and Options offered under this Prospectus. If you have any questions about investing in the Company, please contact your stockbroker, accountant or independent financial adviser.

5. OVERVIEW OF THE COMPANY

5.1 THE COMPANY

Kina Petroleum Limited is a Papua New Guinea (PNG) registered company and was established on 19 May 2008 to apply for and acquire oil and gas exploration and production concessions in PNG.

In September 2009 Kina was awarded 100% interest in four onshore Petroleum Prospecting Licences ("PPLs") being PPL 337, PPL 338, PPL 339 and PPL 340.

In October 2010, Kina entered into Farm-In Agreements with Oil Search (PNG) Ltd, a subsidiary of ASX listed Oil Search Ltd in relation to PPL 338 and 339. These agreements set out the terms upon which Oil Search (PNG) Ltd may earn up to a 70% participating interest in these two PPLs, essentially by undertaking a seismic program, and depending on the results of this program, fund the majority of a two well drill program on PPL 338 and 339.

In addition, on March 18th 2011, Kina was awarded a 20% participating interest in Petroleum Retention Licence ("PRL") 21 and has subsequently agreed to sell 5% of PRL21 to have a remaining 15% interest. Kina's Joint Venture Partners in PRL 21 are Horizon Oil (Papua) Limited and Talisman Energy Niugini Limited.

PRL 21 encompasses two stranded gas fields (Elevala and Ketu) which were discovered by British Petroleum Development Ltd (BP) in the early 1990's. Kina and its JV Partners intend to appraise the Elevala and Ketu discoveries and subject to the outcome of the appraisal drilling, attempt to undertake early development of the liquids contained within the reservoirs which may lead to early cash flow.

Kina is seeking to raise $12.5 million through the IPO and is seeking a listing of its Shares and Options on the Australian Securities Exchange as well as the Port Moresby Stock Exchange. The funds raised from the Company's IPO will fund its share of the exploration and development of its Projects, meet its working capital commitments, cover the costs associated with the IPO and allow the Company to review additional acquisition opportunities in PNG and surrounding regions.

5.2 PROJECTS

5.2.1 BACKGROUND

Set out below is an overview of the Company's projects ("the Projects"). The Projects are more fully described in ***Section 8 of the Prospectus, the Independent Technical Report*** and readers are advised to read this report in its entirety.

Table 5.1: Kina Petroleum Prospecting Licences and Petroleum Retention Licence

LICENCE NUMBER	GRATICULAR BLOCKS	EXPIRY	OWNERSHIP INTEREST	AREA (KM2)	MINIMUM ANNUAL EXPLORATION USD (KINA'S SHARE)
PPL 337	68	02/09/2015	100%	5,508	$100,000*
PPL 338	39	02/09/2015	100%	3,159	$100,000*
PPL 339	99	02/09/2015	100%	8,019	$100,000*
PPL 340	52	02/09/2015	100%	4,212	$100,000*
PRL 21	9	19/03/2016	15%	730	$9.3M over the first 2 years of the Licence
Total	**267**			**21,628**	

** These represent the minimum annual spend obligations over the first two years of the Licences which ended on the 1/9/2011. Thereafter, the minimum obligations for the remaining four years revert to activity based programs as set out in Section 5 of the Independent Solicitors Report on Tenements.*

5.2.2 PETROLEUM RETENTION LICENSE 21

PRL 21 covers an area of 729 sq km and has a term of 5 years. It contains 2 wet gas discoveries Elevala 1 and Ketu 1 (refer to Fig 4 Independent technical Report).

The participants in PRL 21 are as follows:

PARTY	INTEREST
Horizon Oil (Papua) Limited	45%
Talisman Energy Niugini Limited*	40%
Kina Petroleum Limited	15%
Total	**100%**

** As at the date of this Prospectus Talisman Energy Niugini Limited had agreed to Farm In to an additional 5% participating interest from Kina, taking its holding from 35% to 40%*

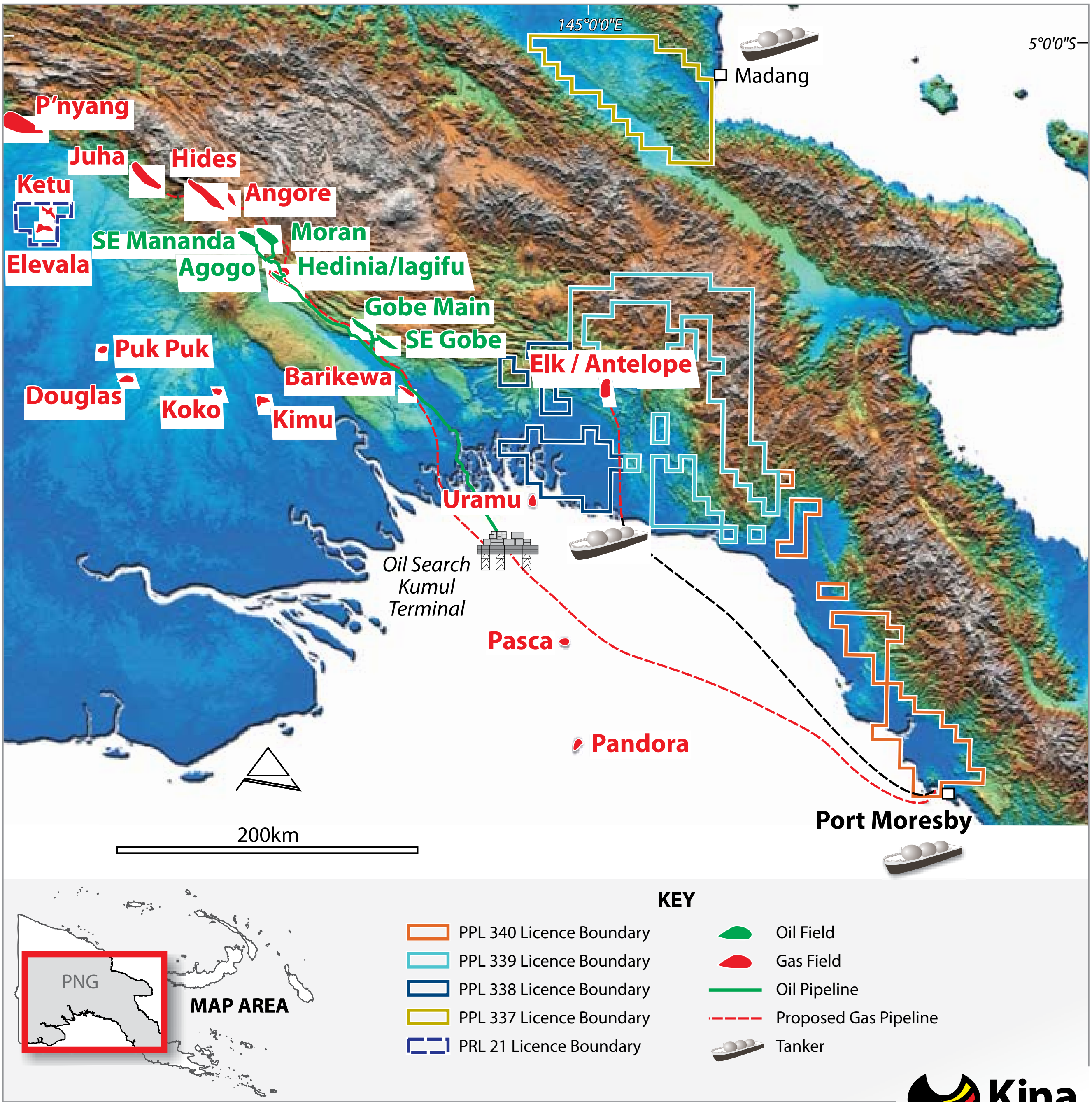


Figure 5.1: Kina Petroleum Limited - Petroleum Licences

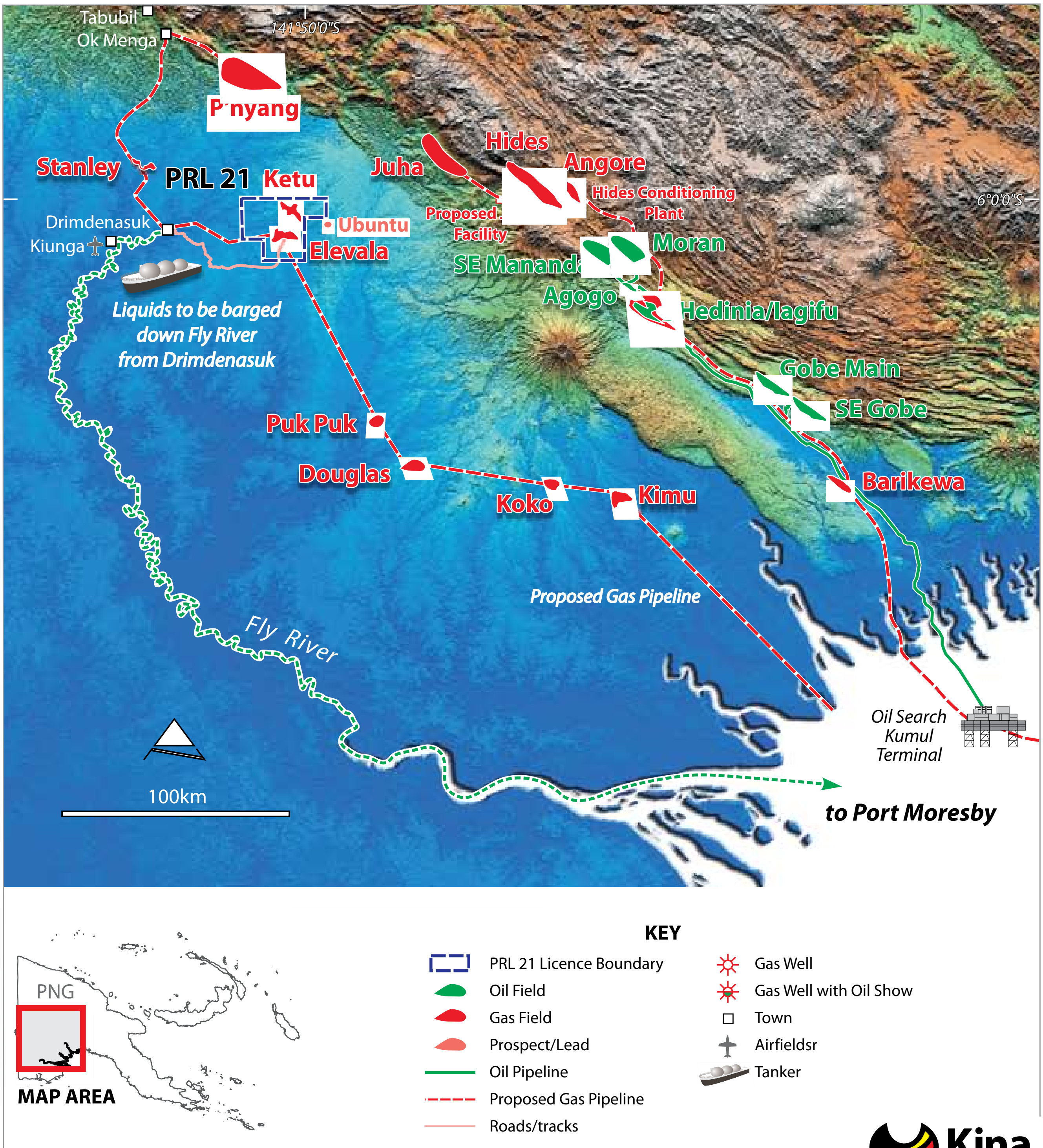


Figure 5.2: PRL 21 Location Plate

PRL 21 is located close to existing port and shipping infrastructure between the Strickland and Fly Rivers. The Fly River is navigable to ocean going barges to the coast and beyond (Fig 5.3) which, should the joint venture partners determine there is a sufficient condensate resource to develop, then this existing port and shipping infrastructure will be a key aspect in determining the economics of the planned project. Ok Tedi Mining Limited has a major export facility at Kiunga.

Figure 5.3: Port of Kiunga with established ocean going infrastructure

GEOLOGY

PRL 21 is located in the foreland of the Papuan Basin with upwards of 3 kilometres of clastics, coals, limestone's and shales overlying the uppermost sandstone, below the Ieru shale which is gas bearing in PRL21.

The Elevala sandstone and two other less developed sandstones, the Toro and Imburu comprise the primary exploration and production objectives within the Licence. The Elevala sandstone previously flowed 11.9 MMscf/d gas and 634 bbl/d condensate in the Elevala 1 well. Neither the Toro nor Imburu sands have been tested in the Elevala 1 well

Figure 5 of the Independent Technical Report illustrates the bilobate nature of the Elevala Structure. The Western lobe is called Tingyu Prospect and it may form part of the greater Elevala closure.

To the north lies the Ketu Structure, which is a fault bounded horst. It intersected a similar section to Elevala 1 with gas deeper in Elevala Sandstone but the Toro and Imburu sandstones were water bearing.

HISTORY AND PREVIOUS EXPLORATION

Seismic exploration began in the late 1960's and early 1970's with Kiunga 1 drilled in 1980. Toro Sandstone was intersected and although salt water bearing, encouraging oil shows were seen.

In 1987 Santos acquired the area recording seismic data over the Elevala and Ketu areas in 1989 and 1990. British Petroleum drilled Elevala 1 and Ketu 1 wells in 1990 under a farm in agreement with Santos.

Santos carried forward with area drilling, including Stanley 1 in 1999, which discovered gas-condensate in the Toro Sandstone. Post relinquishment in 1999 the Stanley discovery was preserved as PRL 4 and effective 14 February 2000, Elevala and Ketu areas were preserved as PRL 5.

REGIONAL ACTIVITY

Horizon Oil (Papua) Limited and Talisman Niugini Pty Ltd are exploring and appraising the nearby PRL 4 Stanley gas condensate discovery for liquids development. The Stanley co-venturers have drilled 2 wells and tested 1 other and are currently evaluating the field development scenarios.

PROPOSED EXPLORATION AND DEVELOPMENT

The proposed exploration program for PRL 21 will be undertaken with the following phased objectives.

i. ***Phase 1*** – Define, through seismic and appraisal drilling, the gas and liquids resource contained within the Elevala to Imburu sandstones;
ii. ***Phase 2*** – Upon determining the resource, establish the feasibility of extracting, processing, and exporting the contained liquids;
iii. ***Phase 3*** – Subject to feasibility studies, develop and market the liquids produced.

PHASE 1: SEISMIC AND APPRAISAL DRILLING

Seismic

Seismic on the Elevala, Tingyu and Ketu structures is designed to improve the interpretation confidence away from well control at Elevala 1 and Ketu 1 (Fig 5 Independent Technical Report) was undertaken in the second half of 2011.

Drilling

Appraisal drilling will commence with the drilling of the Elevala 2 well, which will be located to the west and down dip from the crest of the Elevala sandstone in Elevala 1. Elevala 2 is expected to be drilled in November 2011.

The drilling of the Ketu 2 well, will follow the drilling of Elevala 2, and will be located to the east of the existing well and likely to be drilled during the 1st quarter 2012.

The Parker Rig 226 (Fig 5.4) shown drilling Stanley 2 on behalf of Talisman Niugini Pty Ltd and Horizon Oil Limited in PRL 4 is scheduled to be used to drill the Elevala 2 and Ketu 2 wells.

Phase 2 and Phase 3 will follow subject to the success of the appraisal drilling program and resource definition.

Figure 5.4 Parker Rig 226 at Stanley 2 (Courtesy of Horizon Oil (Papua) Limited)

5.2.3 PETROLEUM PROSPECTING LICENCE 337

On 2nd September 2009, Kina was awarded a 100% working interest in PPL 337. (Fig 5.5).

LOCATION AND INFRASTRUCTURE

PPL 337 covers an area of 5,508 km2 on shore, and is situated in the Ramu Sub Basin close to Madang with access by road through the Usino-Bundi Highway (Madang-Lae) to the south and excellent logging roads running to the Sogeram River in the north (Fig 5.7) which are adequate for rig transport vehicles.

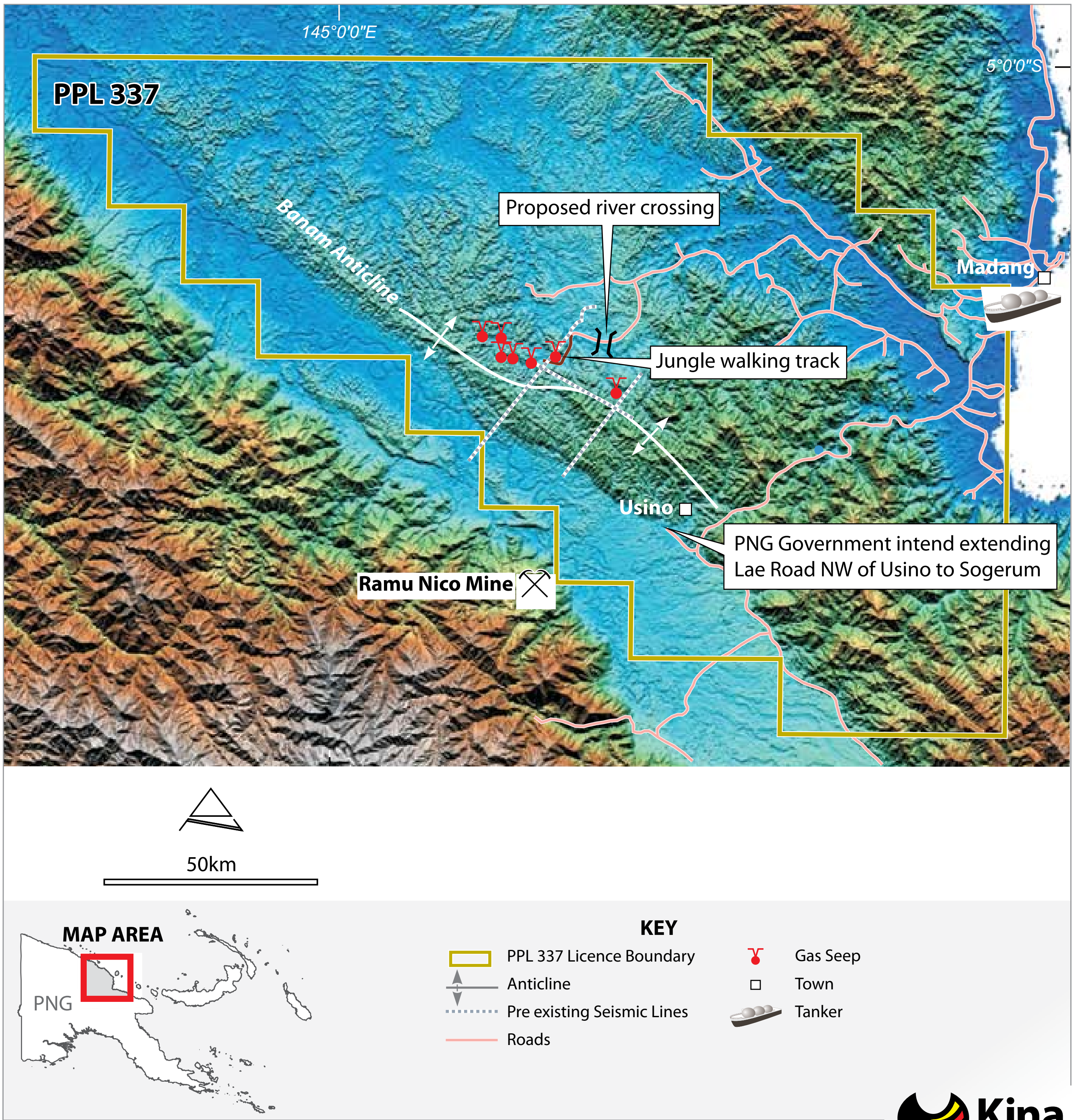


Figure 5.5 PPL 337 Location & Access to Banam Anticline

Figure 5.6: PPL 337 Logging track and bridge en-route to Banam Anticline

GEOLOGY

The Ramu Sub-Basin is a deep rhomboid trough bounded by the Gogol and the Ramu Markham Faults (Fig 5.7). Deposition occurred throughout the Miocene, Pliocene and Pleistocene. Late Pleistocene compression resulted in large fault bounded anticlines of which the Banam Anticline is the largest.

The Banam Anticline is a sizeable structure covered by thick tropical jungle with steep hills varying from 100 metres to 500 metres above sea level. It is covered by numerous gas seeps (Fig 14 Independent Technical Report) the analysis of which indicates a composition of 98% methane and 2% ethane.

HISTORY AND PREVIOUS EXPLORATION

Exploration began north of PPL 337 in 1910 with identification of oil seeps but with only 9 exploration and 12 shallow stratigraphic wells drilled to date, the basin remains under explored.

Modern seismic was acquired at Banam Anticline by Woodside Petroleum Limited (WPL) and OSH in 1997 when PPL 337 was held by Ramu Niugini Limited (Fig 5.7). OSH and WPL withdrew and the area was issued as PPL 248 held by SriGas Limited. In September 2009 PPL 337 was issued and included the areas covered by PPL 248.

PROPOSED EXPLORATION AND BUDGET

The strategic objective in relation to PPL 337 is to assess the presence of a sizeable gas resource that may be economically developed either for the existing and growing domestic demand or transported, processed and sold to international markets. Abundant gas seeps and a possible seismic flat spot (Fig 14 Independent Technical Report) are testament to the gas potential of the Banam prospect.

The first phase of the proposed exploration program is to re-process existing and acquire additional seismic with a view to identifying a suitable drill target on the Banam Anticline to ultimately define a gas resource.

Kina's objective is to seek to farm out a part interest in this Licence to assist in the funding of the exploration and development obligations of the Licence.

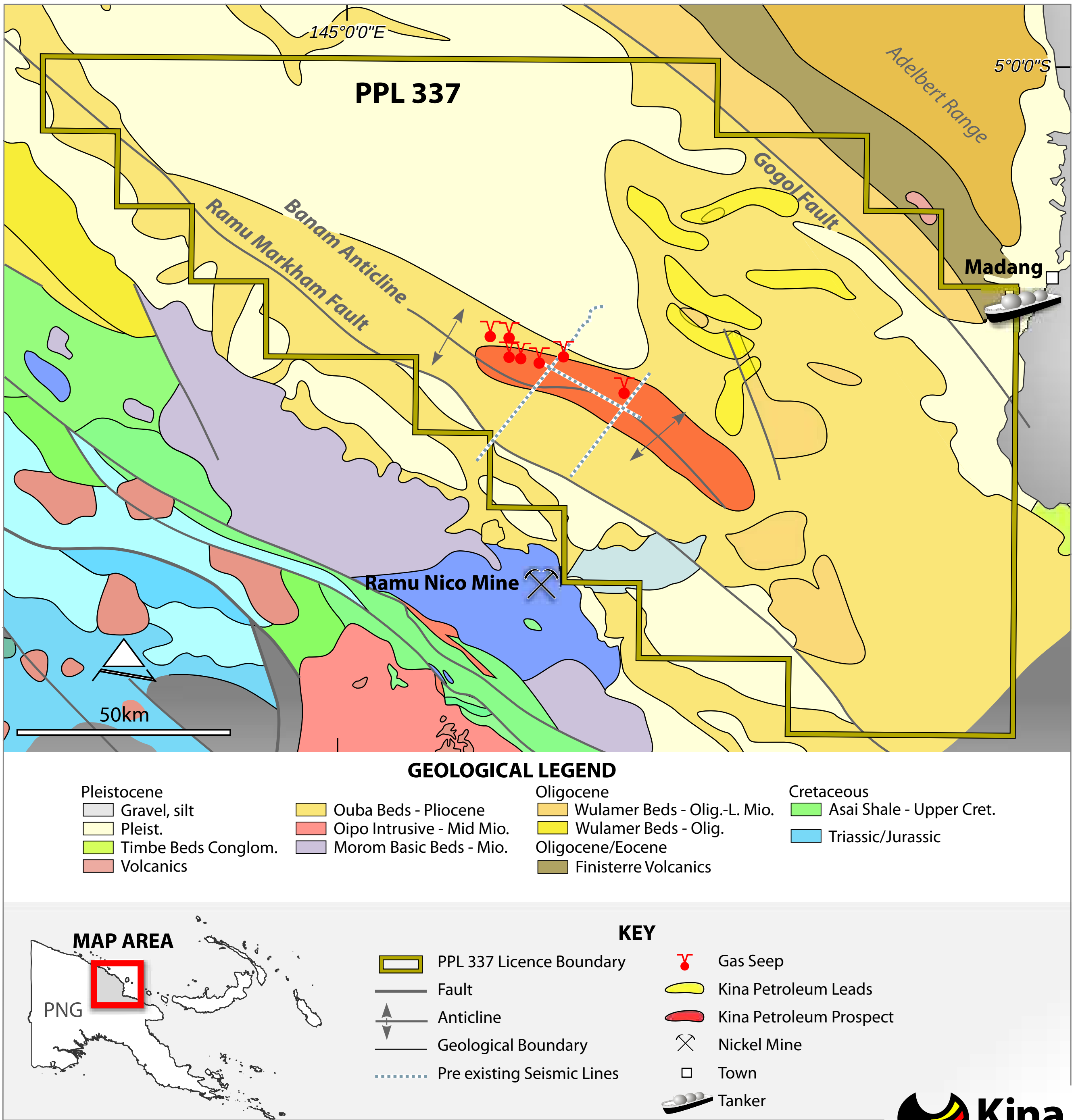


Figure 5.7 Banam Anticline & Follow Up Features Close To Transport

5.2.4 PETROLEUM PROSPECTING LICENCE 338

On 2nd September 2009, Kina was awarded 100% working interest in PPL 338.

In October 2010 a farm in agreement was signed with Oil Search (PNG) Limited, setting out the terms upon which Oil Search (PNG) Ltd may earn up to a 70% participating interest in PPL 338 including the following headline terms:

- Oil Search to earn a 30% participating interest in PPL's 338 and 339 by acquiring seismic data over PPL 338; and
- Subject to the results of the seismic, Oil Search can exercise an option to increase its interest to 70% in PPL 338 by drilling a well.

Readers should refer to Section 11.3.1 for a summary of the terms and conditions of the PPL 338 Farm-In Agreement.

LOCATION AND INFRASTRUCTURE

PPL 338 covers an area of 3,159 km2 onshore Gulf Province within the eastern Papuan Basin. The licence comprises one large southern block of 30 graticular blocks (2,430km2) appended to the Uramu PRL and 3 smaller blocks in the north comprising 3 graticulars each (Fig 5.8).

PPL 338 is well located to existing infrastructure being approximately 75 km southeast of the Gobe oil fields, 30 km west of the giant Elk/Antelope gas discoveries, close to the town of Kerema and is approximately 280 km north west of Port Moresby.

It is about 40 km north east of Oil Search's oil export terminal and Interoil's planned Elk/Antelope export facilities will traverse its eastern border area.

GEOLOGY

The entire area of PPL 338 is covered with a thick blanket (between 2 to 5 kilometres) of non marine to marginal marine ill sorted clastics (silts, clays, some sandstones and minor coals).

Primary exploration targets are the Miocene and Eocene reef reservoirs sealed by the overlying Pliocene mudstones (Orubadi Formation) (Fig 2 Independent Technical Report).

Success at Elk/Antelope (2006-2010), only 30 km to the north east of PPL 338, confirmed the viability of the Eocene and Miocene limestone reef play. PPL 338 is on a postulated gas charged carbonate trend running from Pandora in the south through Pasca, Uramu and continues up to Elk/Antelope.

PREVIOUS EXPLORATION

Early gravity data (1940s and 50s) identified the Wana Swell and caused the Wana-1 stratigraphic test (1950) to be drilled. Wana-1 flowed from the Eocene limestone 18,000 barrels water per day (bwpd) and confirmed presence of good reservoir. Offshore 10km south of PPL 338, Uramu-1, 1A (1968) discovered gas within the Miocene reefal sequence.

About the same time Iviri-1 (1965) and Ini-1 (1969) wells were drilled onshore to test seismically controlled reef traps and although dry they confirmed good porous and permeable zones within Eocene and Miocene carbonates.

The Company is in possession of data from 9 seismic surveys (dating from 1959) that traverse PPL 338 (Fig 5.8) and quality is generally good.

Reinterpretation of existing seismic data identified a reef trend with up dip potential south and east of Iviri 1.

CURRENT AND PROPOSED EXPLORATION

As a follow on from the re-interpretation of the existing seismic data, Oil Search have recently completed recording 57 km of seismic ("the Iviri Seismic Survey") to locate an appropriate drilling location up dip of Iviri 1 (Fig 6 Independent Technical Report). The Iviri Seismic Survey meets Oil Search's farmin obligations to earn 30% in PPL 338.

On final assesment of the processed seismic data from the Iviri Seismic Survey, Oil Search will decide if a viable drilling prospect has been identified or if further seismic recording is required.

5.2.5 PETROLEUM PROSPECTING LICENCE 339

On 2nd September 2009, Kina was awarded 100% working interest in PPL 339.

In October 2010 a farm in agreement was signed with Oil Search (PNG) Limited, setting out the terms upon which Oil Search (PNG) Ltd may earn up to a 70% participating interest in PPL 339 including the following headline terms:

- Oil Search to earn a 30% participating interest in PPL 338 by acquiring seismic data over PPLs 338; and
- Subject to the results of the seismic, Oil Search can exercise an option to increase its interest to 70% in PPL 339 by drilling a well.

Readers should refer to Section 11.3.2 for a summary of the terms and conditions of the PPL 339 Farm-In Agreement.

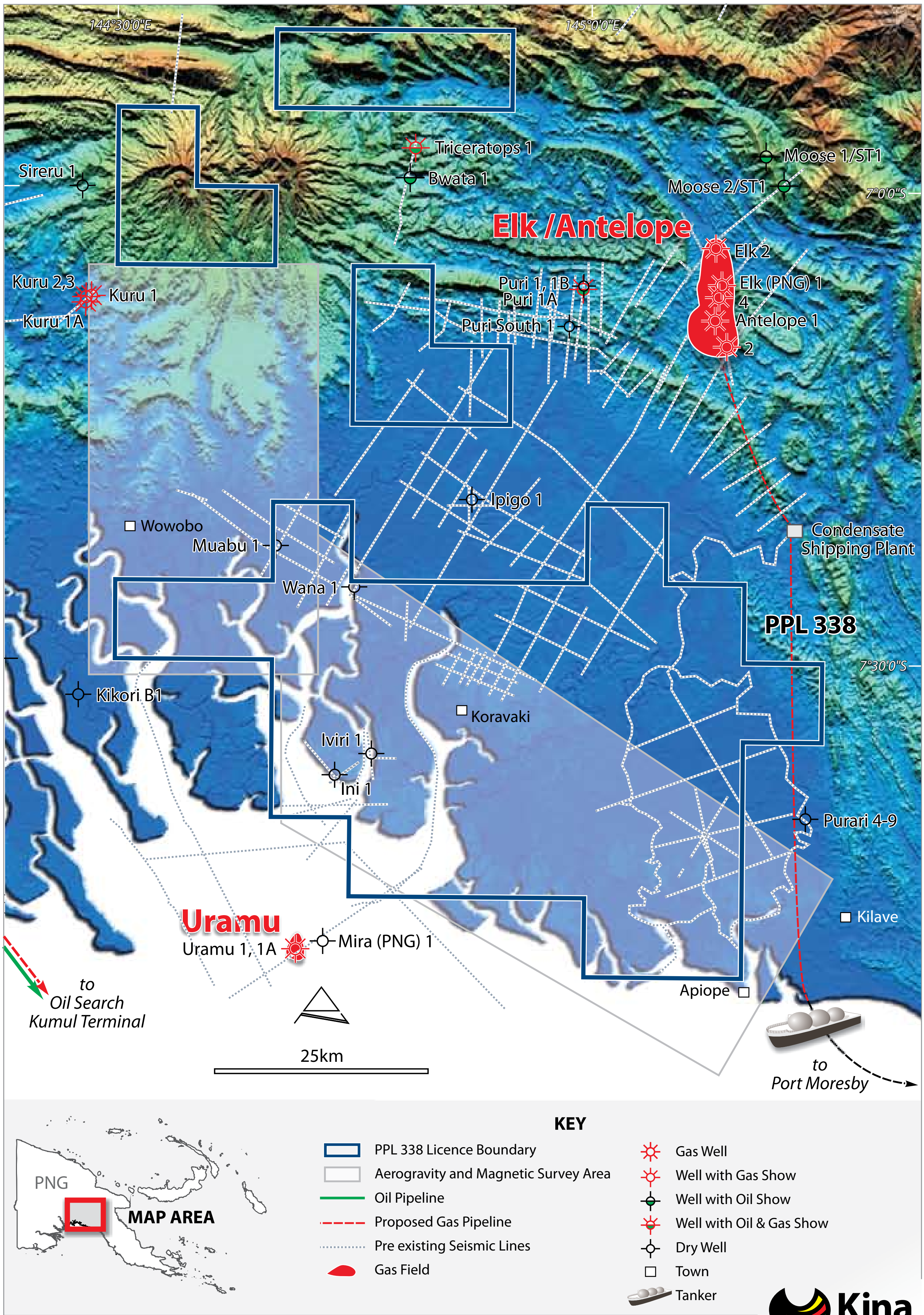


Figure 5.8 Map PPL 338

LOCATION AND INFRASTRUCTURE

PPL 339 covers an area of 8,019 km2 onshore over eastern Papuan Basin of Gulf, Morobe, Eastern Highlands and Simbu Provinces. The Licence is divided into a large northern, irregularly shaped block of 77 contiguous graticular blocks (6237 km2), a southern block of 18 contiguous graticular blocks (1458 km2). The balance of the licence is made up of 3 small areas of 1 or 2 graticulars (Fig 5.9).

In the north, terrain is mountainous and can be accessed by road from Lae and Goroka. Kerema is located in PPL 339 with Port Moresby accessible via the Hiritano Highway. The near coastal areas are well timbered and logging tracks provide some access into the hinterland.

GEOLOGY

Regionally the Aure Beds (up to 3km thick) form an effective and regionally extensive seal over the Mendi Group carbonates.

Previously drilled Hohoro 1 well and Upoia 1 well are located on or near previously recorded seismic lines in southern PPL 339. This seismic data supports the presence of an uplifted basement block which may extend from Elk /Antelope in the northwest through PPL 339. Kina believes that a reef carbonate fairway may run from Elk/Antelope to the southeast with Eocene through to younger carbonates interpreted to extend into PPL 339 along this high trend (Fig 7 Independent Technical Report).

Late Cretaceous sandstones beneath the aforementioned carbonates form a viable reservoir target throughout the southern part of the license. The Pale Sandstone is a good sandstone reservoir below which are 2 cycles of Subu Sandstone separated by a mudstone which could provide a potential seal for the deeper sand. The Subu and Pale sandstone plays (Fig 9 Independent Technical Report) are expected to occur in similarly long, yet discontinuous, trend and tie stratigraphically to the Barune Sandstone seen in outcrop in Port Moresby.

Numerous oil and gas seeps in PPL 339 attest to an active petroleum system operating in the block.

PREVIOUS EXPLORATION

Early exploration commencing with Kariava-1 (1941) was undertaken without the benefit of seismic data. Early wells failed to intersect a viable reservoir target due to structural complexity and the lack of seismic control.

Tovala-1 and -1A (1969), drilled with the benefit of seismic reached a depth of 3206m in Mid Miocene section, recorded gas flows from sands within which were fragments of reworked Eocene reefal limestone.

Seismic data over Elk Antelope is generally of good quality and successfully delineated the giant Elk/Antelope Field (2006 to 2010) which is located 15km from the PPL 339 boundary.

PROPOSED EXPLORATION

It is proposed to locate 2 dip seismic lines of the Wulai Seismic Program to investigate a potential reef play (Fig 7 and 8 Independent Technical Report). The initial phase was recently completed with the longer of the 2 lines tying Upoia 1. Phase 2 of the Wulai Seismic Program is dependent on the outcome of Phase 1.

5.2.6 PETROLEUM PROSPECTING LICENCE 340

LOCATION AND INFRASTRUCTURE

PPL 340 covers an area of 4,212 km2 onshore and is located within the Eastern Papuan Basin in the Gulf and Central Provinces and extends into the National Capital District. The licence comprises a contiguous area of 43 graticular blocks running from Port Moresby to the northwest. The balance of the licence comprises a single graticular adjacent to PPL 339, 6 graticulars east of Kerema and an isolated pair of graticulars north of the main body of the licence.

It is adjacent to the capital Port Moresby, the Exxon led LNG project site and the InterOil Refinery. Access to Port Moresby and proximity to the coast and plant sites may enable economic development of modest sized discoveries in this area (Fig 5.10)

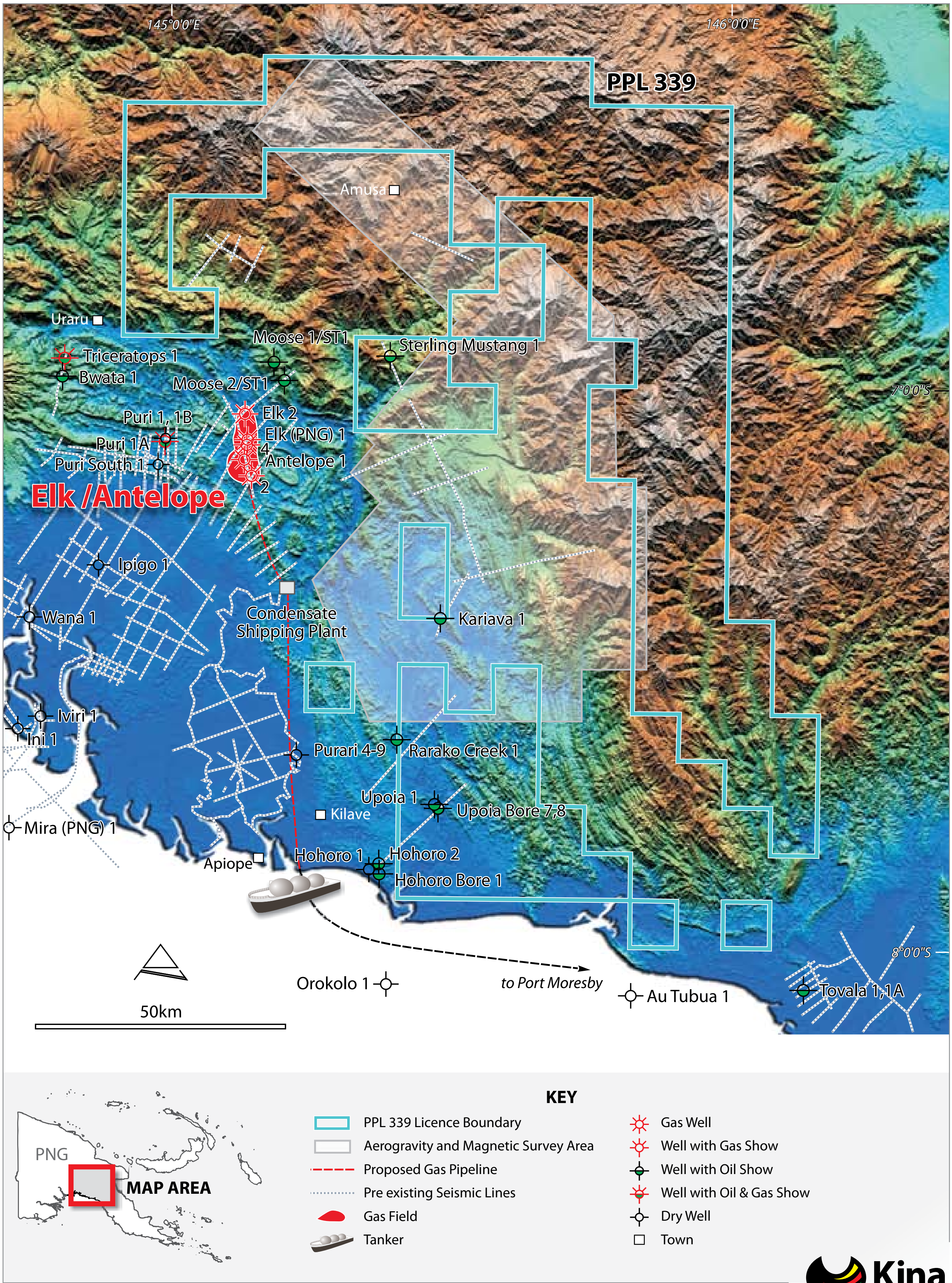


Figure 5.9 Map PPL 339

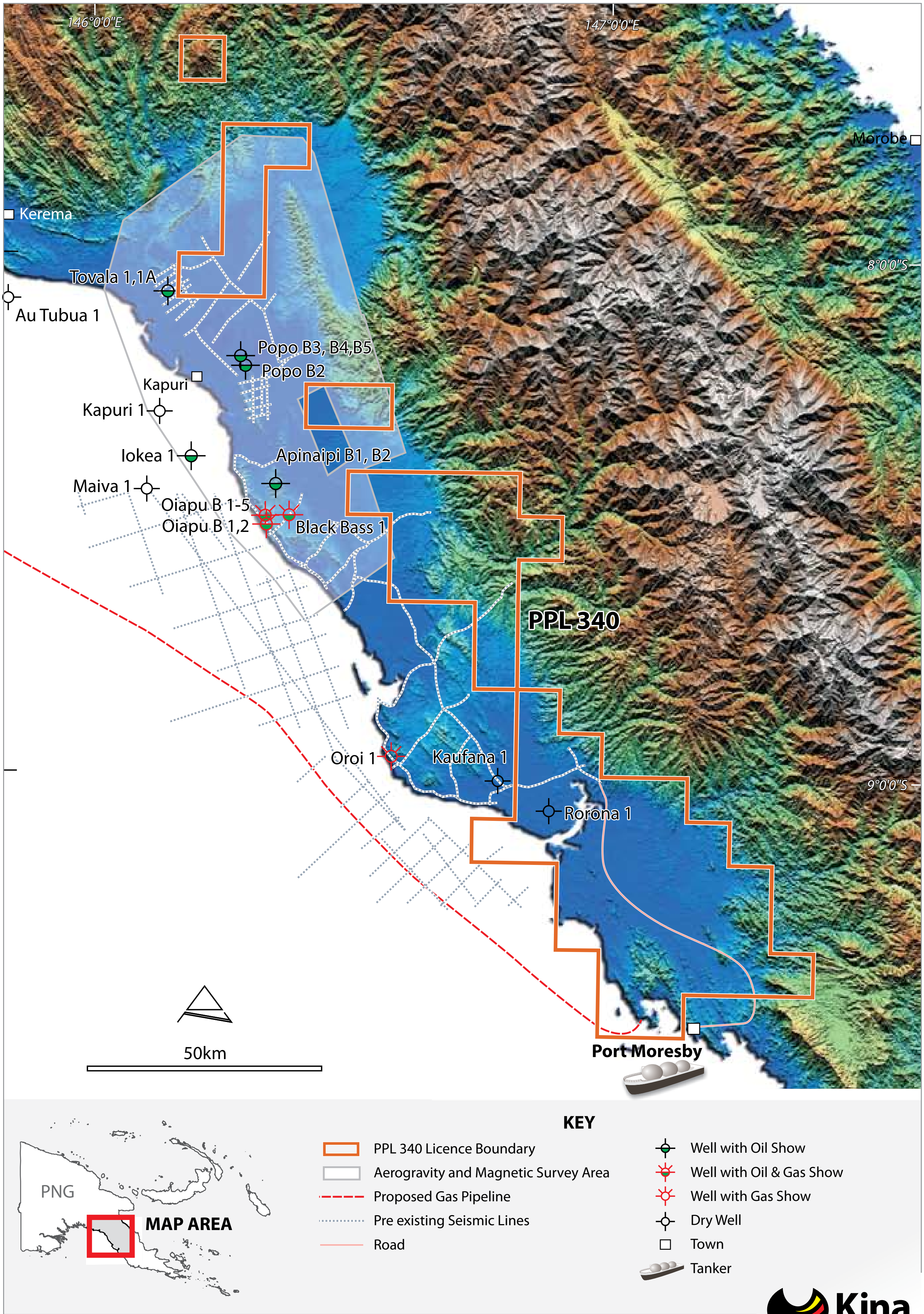


Figure 5.10 Map PPL 340 Aerogravity and Magnetics Survey

GEOLOGY

PPL 340 overlies a folded uplifted area adjacent to the Owen Stanley Complex. Offshore seismic shows the folded sequence to be thrust over Priassic and younger sections offshore PPL 340.

A fairway of good quality Late Cretaceous reservoir is interpreted from outcrop of the Pale Sandstone in PPL 339 to the Barune sandstone outcrop in Port Moresby. A carbonate reef play is viable within PPL 340 from Miocene and Plio/Pleistocene carbonates (Wedge Hill Limestone). Offshore PPL 340 Kapuri 1 (1968) tested water at a rate of 2,640 to 4,800 BWPD from the Talama Volcanics.

Other reservoirs within PPL 340 include Middle to Late Miocene deep water clastics of the Chiria and Talama (Iokea 1). Oroi 1 (1949) immediately west of PPL 340 intersected gas shows in the Chiria clastics. Seismic data acquired in 1987, show the Chiria clastics and overlying carbonates were intersected downdip of the crest of the anticline (Refer Figure 11 Independent Technical Report).

Gas flows in Tovala-1A, gas shows in Oroi 1 and oil shows within the Oiapu bores support the presence of an active generating petroleum system close to PPL 340.

PREVIOUS EXPLORATION

No data has been located for the only well drilled in PPL 340 Rorona 1. Many nearby wells and bores are pre 1950 with limited seismic data coverage.

Published outcrop maps show significant structuring with Miocene to Eocene carbonate development (Fig's 9 and 10 Independent Technical Report).

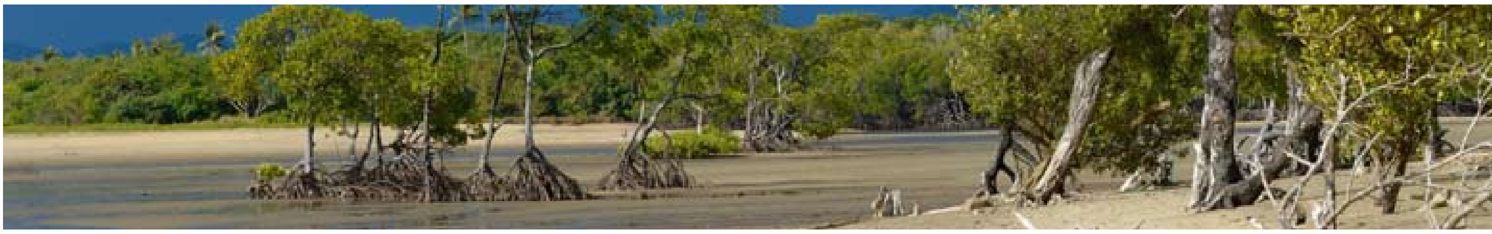
The aerogravity/aeromagnetic survey set out in Figure 5.13 offers some coverage of the northern most part of the licence.

PROPOSED EXPLORATION

Subject to locating the Tovala and Lakekamu seismic data, Kina intends to reprocess the seismic out of Tovala 1 to evaluate a carbonate play in northern PPL 340. Following success of the aerogravity and aeromagnetic data defining structures north of PPL 340, Kina is assessing the merits of a similar survey prior to seismic recording.

Exploration focus will be the anticlinal trend extending from Oroi 1 into PPL 340 (Fig 10 Independent Technical Report). This will require new aerogravity, aeromagnetic and seismic acquisition in an area of low terrain and easy access.

6. DIRECTORS AND MANAGEMENT AND SENIOR CONSULTANTS



The Kina Board and senior management have a broad experience base covering operational, technical, corporate and commercial backgrounds spanning a number of decades in the Australian and international oil and gas and finance industries. The Kina Board is well positioned to implement the Company's strategic objective of continuing its planned exploration activities and seeking to acquire or participate in additional oil and gas related projects.

6.1 DIRECTORS

John Prendiville – Non Executive Chairman

John is a graduate of the Royal Military College, Duntroon. He has a BSc (Hons) and MBA. John was a chairman of Macquarie Capital Advisors, based in Sydney, and was recently head of the global resource group for Macquarie. John was with Macquarie for 20 years and was instrumental in some of the largest and most complex takeovers, financings and transactions in Australia and offshore. Over the last 8 years, he built their resource team from one primarily focused in Australia to one of the largest and most profitable teams globally in mining and metals and, more importantly, the oil and gas space globally, from Houston to Calgary, London, Africa, Asia and Australia.

Richard Schroder – Managing Director

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 experience as an operator in the lowland and highland jungles of PNG and has managed junior companies such as Sydney Oil Company as well as majors such as Santos in the capacity of Exploration Manager, South East Asia.

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

Dr Ila Temu –
Non Executive Director

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 Development Company and during 2000 he accepted the appointment as General manager, Government Relations, Placer Niugini Ltd. Ila is President, PNG Chamber of Mines and Petroleum, Director Corporate Affairs, Australia Pacific, for Barrick PNG, Non Executive Director Bank South Pacific Limited, Chairman of PNG Ports Corporation, Director Bank of South Pacific Capital Port Moresby and Council Member, Divine Word University.

Barry Tan -
Non-Executive Director

Appointed 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, Kokoda Tailoring.

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

Independent Directors

The Board considers the independent Directors are Mr John Prendiville and Dr Ila Temu. These two Directors are considered independent as they are non-executive Directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment. Mr Barry Tan is not considered independent as he is a substantial shareholder.

6.2 SENIOR MANAGEMENT AND CONSULTANTS

Ian Longley –
Consultant Geologist and Technical Adviser

Ian is an experienced senior oil and gas executive having worked globally over the past 25 years for companies such as Woodside Energy Ltd, Oil Search Ltd and Shell Oil. Ian is a proven oil and gas finder with established new business development skills (including negotiation, commercial, tax and legal experience). Ian was responsible for concept development and execution of Woodside's entry into South Korea as well as other new Australian and PNG opportunities (e.g. South Brecknock Browse Block, Great Australian Bight) and has significant hands on experience in all major hydrocarbon provinces in Australasia particularly those in PNG, Indonesia, Malaysia, Australia and Vietnam.

Ian is a recognised world expert on the Petroleum Geology of Australasia with multiple keynote publications. Ian is currently a senior lecturer for the industry based Petroleum Geology of SE Asia training course with an extensive contact-base and knowledge of historical and current opportunities in the region.

John Chan - PNG Operations and
Community Affairs Manager

John has more than 30 years experience in PNG in commerce and been with Kina Petroleum since May 2008 and handles all local matters and has a great understanding of the PNG culture and its people.

Under the stewardship of Richard Schroder, John is an asset to the organisation with his network of relationships in government and commerce in Papua New Guinea.

Stanley Pono -
PNG Geophysicist/Geological Consultant

Stanley graduated with a BSc and a post-graduate diploma (Edu) from the University of PNG in 1983 and 1985 respectively, completed the PETRAD diploma Management of Petroleum Development and Operations in 1996 in Norway, and obtained a MSc in Energy

Studies from the Center for Energy, Petroleum, Mineral Law and Policy, University of Dundee, in 2000.

Stanley has 20 years experience as a Petroleum Geoscientist with Schlumberger, Geco-Prakla (PNG and Tunisia) and for the PNGDPE reaching the position of Assistant Director-Exploration Branch, Petroleum Division and acting Director-Petroleum Division, from April 2002 to August 2004. He managed and implemented the World Bank project loan, for over two years. The Division had a professional staff of 60 geoscientists, engineers, lawyers and economists working under exploration, engineering, policy, registry and coordination branches.

In 2006 he consulted to Fugro Multi Client Services assisting the DPE on the first PNG petroleum licensing round project during which 12,000km2 of seismic data was acquired in the Gulf of Papua followed by a global road show.

Most recently he has held the position of Country Manager for Chinampa Exploration Pty Ltd, a subsidiary of Fugro Holdings (Australia). Besides assisting Kina, he is also Country Manager for Searcher Seismic Pty Ltd and Ivy Exploration Pty Ltd.

Peter Impey – Company Secretary – Papua New Guinea

Mr Peter Impey is a Certified Practicing 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 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.

Shane Hartwig – Company Secretary Matters - Australia

Mr Shane Hartwig is a Certified Practicing Accountant and Chartered Company Secretary and holds a Bachelor of Business degree, majoring in Accounting and Taxation from Curtin University of Technology in Western Australia.

Shane is involved in the areas of Initial Public Offerings, capital raisings, prospectus and information memorandum preparation and project management, company assessments and due diligence reviews, mergers and acquisitions and providing general corporate advice and is currently a Non Executive Director of an ASX listed Mineral exploration company and Company Secretary of an ASX listed medical device company, all on a contract basis.

Shane has over fourteen years experience in the finance industry both nationally and internationally with exposure to both the debt and equity capital markets.

Lee Freeman – Chief Financial Officer

Lee holds a Bachelor of Business Degree from the University of Western Sydney. Lee is currently involved in assisting oil and gas companies with accounting and commercial aspects of their businesses particularly with issues surrounding doing business in PNG and Indonesia.

Lee has over twenty five years financial experience in the oil and gas industry including working for Oil Company of Australia, LASMO, Command Petroleum and finally with Santos as the Finance Manager of their South East Asia Business Unit.

6.3 CORPORATE GOVERNANCE

The Directors monitor the business affairs of the Company on behalf of Shareholders and have formally adopted a corporate governance policy which is designed to focus Directors' attention on accountability, risk management, ethical conduct and conflicts of interest.

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

The following policies and procedures have been implemented and are available in full on the company's website at www.kinapetroleum.com

- Board Charter;
- Audit Committee Charter;
- Remuneration Charter;
- Nomination Charter;
- Code of Conduct;
- Securities Trading Policy;
- Risk Management Policy;
- Shareholder Communication Policy;
- Continuous Disclosure Policy;
- Diversity Policy; and
- Directors Independence Questionnaire.

In accordance with the 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 Best Practice Recommendations as published by the ASX Corporate Governance Council. Outlined below are instances where the Company has departed from these principles and best practice recommendations.

Recommendation 2.1: A majority of the Board should be Independent Directors

Notification of Departure:

A majority of the Board are not considered Independent Directors.

Explanation for Departure:

Currently the Board contains two Independent and two Non Independent Directors. The Board considers that a four person Board is adequate for a Company of its size and operations and at this stage has not considered appointing a fifth Director just because technically the Board is classified as Non Independent. The Board is satisfied that its current structure is still considered to be independent in thought and judgement.

Recommendation 2.4 and 8.1: The board should establish a nomination and remuneration committee.

Notification of Departure:

The Company has not established a separate Nomination and Remuneration 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 and Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination and Remuneration Committee it will operate under the Nomination and Remuneration Committee Charter. The Nomination and Remuneration Committee Charter provides for the Board to meet at least annually and otherwise as required.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

7. RISK FACTORS

7.1 GENERAL RISK FACTORS

The Company's operations are subject to a number of risks which may have an impact upon its future performance. Before subscribing for Shares and Options offered by this Prospectus, prospective investors should carefully evaluate the Company's business.

Prospective investors in the Company should consider the risk factors described in this section, together with the information contained elsewhere in this Prospectus before deciding whether to apply for Shares and Options.

The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

Factors such as inflation, interest rates, levels of tax, taxation law and accounting practices, government legislation or intervention, natural disasters, social upheaval, and war may have an impact on prices, operating costs and market conditions generally. Accordingly, Kina's future revenue (if any) and operations can be affected by these factors which are beyond the control of the Company.

Any of the factors identified below or a combination of all of them in the future could materially affect the performance of the Company and the market price of the Shares or Options. The risk factors set out below are not exhaustive. Investors should examine the full contents of this Prospectus and may wish to consult their financial or other advisors before deciding to subscribe. An investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which the Shares or Options will trade. An investment in the Company should be regarded as speculative. Any person who applies for Shares and Options pursuant to this Prospectus does so in recognition of those factors.

GOVERNMENT LEGISLATION POLICY CHANGES

Future revenue (if any) and expenditure of the Company may be affected by changes in international, federal, state, or local government laws, regulations or policies, or in taxation legislation.

Government legislation and policies are subject to review and change from time to time. Such changes are likely to be beyond the control of the Company and may affect industry profitability.

The operation of oil and gas related equipment and infrastructure is subject to extensive environmental laws and regulations. Violations of these requirements could result in liabilities that affect the Company's financial condition.

ECONOMIC FACTORS

Factors beyond the control of the Directors that could affect the revenues and value of the Company include but are not limited to, inflation, currency fluctuation, interest rates, supply and demand of relevant inputs and outputs, and industrial disruption. All of these economic risks may have a negative impact on the Company and its operations including contributing to financial loss, which may lead to a decrease in value of the Company's trading price of the shares which would have an impact on the value of any investment made by potential investors.

NO PRIOR PUBLIC MARKET FOR THE SHARES

Prior to the offer, no public market exists for the Shares or Options. An active and liquid market for the Shares or Options may not develop following the completion of the Offer, or, if developed, may not be maintained. If an active public market does not develop or is not maintained, the trading price of the Shares or Options may decline below the issue price and investors may have difficulty reselling their Shares or Options following the completion of the Offer. The Company cannot assure investors that the market price of Shares or Options will not materially decline below the issue price.

7.2 SPECIFIC RISK FACTORS

In addition to the general risks outlined above, there is a range of specific risks associated with the Company's business operations; its involvement in the exploration and acquisition of oil and gas related assets both in Papua New Guinea and overseas. Potential investors in the Company should note the following additional risks prior to investing.

(A) OFFER COMPLETION

In the event the Offer is not completed within this calender year, the Company may be unable to meet its funding obligations in relation to PRL 21. If this occurs the Company may lose a part or all of its interest in PRL 21.

(B) OIL AND NATURAL GAS PRICE VOLATILITY

Oil and natural gas prices historically have been volatile and are likely to continue to be volatile in the future. The volatility of the energy markets generally make it extremely difficult to predict future oil and natural gas price movements with any certainty and, in turn, demand for petroleum products potentially produced by Kina. Declines in oil and natural gas prices could have an adverse effect on Kina's revenues (if any).

(C) OPERATING RISKS

The oil and natural gas business involves operating hazards such as well blowouts, mechanical failures, explosions, uncontrollable flows of oil, natural gas or well fluids, fires, formations with abnormal pressures, pollution, releases of toxic gas and other environmental hazards and risks. Kina could suffer substantial losses as a result of any of these events, particularly if it is not fully insured against those risks. Even where Kina is insured, accidents that damage drilling rigs or other equipment could delay Kina's drilling operations, which may cause Kina to achieve lower than projected production results.

(D) TITLE RISKS

Oil and gas exploration licences are subject to periodic review and renewal. In particular, there is no guarantee that applications for future exploration licences or production licences will be approved. Department of Petroleum and Energy review and renewal and transfer conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the exploration licences comprising the Company's projects. The imposition of new conditions or the inability to meet conditions may adversely affect the operations, financial position and/or performance of the Company.

(E) NO GUARANTEE OF EXPLORATION SUCCESS OR PROFITABLE DEVELOPMENT

Oil and natural gas exploration involves significant risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that commercial quantities can be recovered from the Company's project areas. No assurances can be given that if oil and gas reserves are discovered the Company will be able to profitably develop such reserves as intended.

In respect of the PPLs 338 and 339, the Company has entered into to Farm In Agreements with Oil Search (PNG) Ltd, there is no guarantee in the first instance that the seismic program currently being undertaken will yield prospective drill targets and therefore Oil Search may not exercise their right to majority fund two wells in total on these two PPLs and therefore the minimum work activities for years 3 and 4 of the Licences may not get undertaken which could lead to a forfeiture of these two Licences.

In respect of the Company's share of PRL 21, there is no guarantee that the proposed appraisal wells will yield a commercial discovery to lead on to requiring a development work program.

(F) THE COMPANY MAY NOT RAISE THE MAXIMUM SUBSCRIPTION

In the event the Company only raises the Minimum Subscription, the Company will look to obtain debt or other forms of financing or potentially undertake a farm out of a part interest in PRL 21, PPL 337 or PPL 340 to meet any shortfall of its expenditure commitments that may arise. Should the Company not be successful in raising the debt or other forms of financing or achieving a part farm out of its assets on favourable terms or at all, then the Company may risk forfeiting its interest in PRL 21. This may have a negative impact on the value of the Company's assets and on the value of your investment accordingly.

(G) THE COMPANY MAY BE UNABLE TO OBTAIN ENVIRONMENTAL APPROVALS

The Company's operations are subject to the environmental risks inherent in the oil and gas exploration industry. The Company is subject to environmental laws and regulations in connection with all its operations. Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to extensive liability. Further, the Company may require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities.

The Company is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area. The Company believes that it is in material compliance with all applicable laws relating to the protection of the environment. However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

(H) THE OVERALL SHARE MARKET MAY HAVE A NEGATIVE IMPACT ON AN INVESTMENT IN THE COMPANY

The market price of listed Shares or Options can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrants the future performance of the Company or any return on an investment in Kina.

(I) FAILURE TO MEET PAYMENT OBLIGATIONS MAY RESULT IN DILUTION OR FORFEITURE

Under the Licence conditions and certain other contractual agreements to which the Company is or may in the future become party, the Company is or may become subject to payment and other obligations. In particular, the Licence owners are required to expend the funds necessary to meet the minimum work commitments attaching to the Licences. Failure to meet these contractual agreements and/or work commitments may render the Licences liable to be transferred or cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to the other parties, this could result in dilution or forfeiture of interests held by the Company. The Company may not have, or be able to obtain, financing for all such obligations as they arise.

Specifically, PPL 337 and 340 began their 3rd year from date of issue effective 2 September 2011. Under the terms of these Licenses, the Company is required to undertake certain minimum work activity including seismic acquisition and drilling of wells over the next two years. The Company has submitted a variation application with the Department of Petroleum and Energy to have these minimum work activities amended as well as potentially seeking Farm Out partners to contribute to the funding of these work activities. There can be no guarantee the Company will be successful in re-negotiating the minimum work activity conditions attached to PPLs 337 and 340. Should the Company not be successful in these activities, there is a real risk the Company may forfeit Licenses 337 and 340.

(J) THE COMPANY MAY NOT BE ABLE TO ACCESS OIL AND GAS EXPLORATION AND DEVELOPMENT INFRASTRUCTURE SUCH AS DRILL RIGS IN A TIMELY MANNER

Currently there is a high demand for oil and gas exploration and development equipment and infrastructure as well experienced operators of this equipment. The Company may not always have access to experienced seismic crews, drill rigs and operators and this may cause delays in the Company's exploration and development programs which may result in increased costs.

(K) THE COMPANY MAY NOT BE ABLE TO EXPLOIT SUCCESSFUL DISCOVERIES

It may not always be possible for the Company to participate in the exploitation of any successful discoveries which may be made in any areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. As described above, such further work may require the Company to meet or commit to financing obligations for which it may not have planned.

(L) COUNTERPARTY RISK

The Company will enter into a number of commercial agreements with third parties and is party to farm in agreements with Oil Search (PNG) Ltd. There is a risk that the counterparties may not meet their obligations under those agreements or terminate an agreement early. Commercial consequences are likely to flow from any non-observance of commercial obligations.

(M) ACCESS TO LAND MAY BE STOPPED

Immediate access to the licences in which the Company has an interest, cannot in all cases, be guaranteed. The Company may be required to seek the consent of landholders or other persons or groups with an interest in the real property encompassed by the licences. Compensation may be required to be paid by the Company to landholders to allow the Company to carry out exploration and/or production activities. Although the Company has budgeted no compensation payments, there is no guarantee that additional amounts may not be required. Judicial decisions and legislation could also unforeseeably restrict land access.

(N) DIRECTORS AND CONSULTANTS MAY LEAVE THE COMPANY

The success of the Company will depend in part on the continued services of its directors and consultants. The loss of services of one or more of these persons could have a materially adverse effect on the Company's business, operating results and financial condition.

(O) THE COMPANY MAY NOT BE ABLE TO RAISE ANY FURTHER FUNDS

The Company may need to raise debt and/ or equity capital from time to time in relation to the funding of its projects and business activities. The availability of such capital is influenced by numerous factors including, but not limited to, economic, legal and political conditions and investors' and financiers' investment and credit policies. The inability to raise capital on favourable terms, or not at all, may have a negative impact on the Company's project and business development strategies. No assurance can be given that future funding will be made available on acceptable terms (if at all).

(P) LOCATION OF ASSETS

Kina's assets are located in Papua New Guinea and are therefore subject to different environmental factors and regulatory requirements than Australia. As Kina's assets are largely located in a specific region, a major natural disaster, or change to the regulatory requirements relevant to oil and gas licenses (including the applicable tax or royalty regime) or other similar event within Kina's geographic operational area could adversely affect Kina.

(Q) FOREIGN CURRENCY AND EXCHANGE RATE FLUCTUATIONS

Revenue (if any) and expenditure of the Company may be domiciled in currencies other than Australian dollars and as such expose the Company to foreign exchange movements, which may have a positive or negative influence on the Australian dollar equivalent of such revenue and expenditure.

The Company will appropriately monitor and assess such risks and may from time to time implement measures, such as foreign exchange currency hedging, to assist in managing these risks. However, the implementation of such measures may not eliminate all such risks and the measures themselves may expose the Company to related risks.

(R) THE COMPANY MAY NOT BE ABLE TO SECURE INSURANCE

The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover.

While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers there will remain the risk that an insurer defaults in the legitimate claim by the Company under an insurance policy.

(S) INDUSTRIAL DISPUTES MAY PREVENT EXPLORATION AND PRODUCTION

The Company's projects and business may be adversely impacted by industrial disputes by employees of the Company, its contractors, its contract counterparties and/or other third parties. The Company will endeavour to provide working conditions, including salaries, which are consistent with best industry practice for the country and/or region in which it conducts its project and businesses. The Company will also endeavour to ensure its contractors and contract counterparties also adopt such practices. However, the risk of industrial disputes and the potential negative impact on a project or business of the Company cannot be fully mitigated.

(T) REPATRIATION OF FUNDS

In the event the Company and its co-venturers are successful in their exploration and development activities and commence to produce excess cashflow required to operations, there may be a risk that these funds may not be able to be repatriated from PNG to Australia or an imposition to repatriation may be introduced at some time in the future.

(U) LIMITED OPERATING HISTORY

The Company was established in 2008 and accordingly has a limited operating history. The prospects of the Company must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly in the mineral exploration and production sectors, which have a high level of inherent uncertainty.

(V) SPECULATIVE NATURE OF INVESTMENT

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares or Options offered under this Prospectus.

Therefore, the Shares and Options to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares or Options.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares and Options in the Company.

28 October 2011

Global Capital Resources Pty. Ltd.
Investment Services AFSL 246589

GPO Box 5244
Sydney NSW 2001 Australia
Phone 61 2 9924 3270

The Directors
Kina Petroleum Limited
Portion 359
Scratchley Road
Badili
National Capital District
Papua New Guinea

Dear Sirs,

Re: Independent Technical Report to be included in Kina Petroleum Limited's IPO Prospectus and a listing on the Australian Securities Exchange and the Port Moresby Stock Exchange

1. SUMMARY AND CONCLUSIONS

Kina Petroleum Limited (Kina) has 100% interest in four onshore Petroleum Prospecting Licences (PPL) covering 20,898 square kilometres (sq kms) in the independent State of Papua New Guinea (PNG). Kina also has a 15% interest in Petroleum Retention Licence 21(PRL21) in the Western Province of PNG. Details of the licences are outlined in the following table:

Table 1.1 Kina Petroleum Limited Licences

LICENCE NUMBER	GRATICULAR BLOCKS	EXPIRY	OWNERSHIP INTEREST	AREA (KM2)	MINIMUM ANNUAL EXPLORATION USD (KINA'S SHARE)
PPL 337	68	02/09/2015	100%	5,508	$100,000*
PPL 338	39	02/09/2015	100%	3,159	$100,000*
PPL 339	99	02/09/2015	100%	8,019	$100,000*
PPL 340	52	02/09/2015	100%	4,212	$100,000*
PRL 21	9	19/03/2016	15%	729	$9.3M over the first 2 years of the Licence
Total	**267**			**21,627**	

**These represent the minimum annual spend obligations over the first two years of the Licences which ended on the 1/9/2011. Thereafter, the minimum obligations for the remaining four years revert to activity based programs as set out in this Report.*

PRL 21 covers an area of 729 sq kms and encompasses two stranded gas fields. It is the intention of the PRL 21 joint venture to develop these fields with the ultimate aim of developing a liquids stripping and gas reinjection project which if successful, is targeted to be on line in 2014.

Three of the PPLs are in the Papuan Basin which is a proven hydrocarbon province. The fourth PPL is in the North New Guinea Basin (NNGB) which is a frontier basin that has experienced minimal exploration. Two of the licences, PPL338 and PPL 339 are adjacent to PPLs that have significant gas-condensate discoveries. These licences are subject to a farm-in agreement with Oil Search (PNG) Limited which has the rights to earn up to a 70% participating interest by funding seismic costs and the drilling of one well in each of PPL 338 and PPL 339.

Kina is the operator of the four PPLs but Oil Search (PNG) Limited is undertaking and managing the current exploration activities in PPL 338 and PPL 339. Horizon Oil (Papua) Limited is the operator of PRL 21. Kina's other joint venture associates in PRL 21 are Horizon Oil (Papua) Limited and Talisman Energy Niugini Limited.

The four PPLs are prospective for petroleum. The development of resources in PRL 21 may provide Kina with the potential to generate cash flow through the proposed liquids stripping and gas reinjection project.

At least half of the current working capital and funds proposed to be raised are committed to the exploration and development of the licences. Kina will have sufficient liquid funds to carry out its stated objectives and has prepared programs specific to the potential of each of the licences which are consistent with its budget allocations.

2. INTRODUCTION

The directors of Kina have requested Global Capital Resources Pty Ltd (GCR) to provide an independent report on the Company's licences in PNG.

This report is to be included in a prospectus to be lodged with the Australian Securities and Investment Commission Exchange (ASIC) and the Investment Promotion Authority (IPA) of PNG on or about the 2 November 2011. Kina intends to raise up to A$12.5 million and appropriate these funds to the exploration and appraisal of its Petroleum Prospecting Licences and development of PRL 21 in the Independent State of Papua & New Guinea. The report evaluates the petroleum assets of Kina for the benefit of the directors and the shareholders of the Company. Details of the legal status and tenure of the PPLs and the PRL have not been considered in this report but are outlined in the Independent Solicitors Report in the Prospectus.

3. DECLARATIONS

a) Relevant Codes and Guidelines

This report has been prepared as a technical assessment in accordance with the "Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts Reports (the Valmin Code) as well as the rules and guidelines issued by ASIC and the Australian Securities Exchange Limited (ASX) which pertain to Independent Experts Reports (Regulatory Guides RG 111 and RG 112). The World Petroleum Congress (WPC), the Society of Petroleum Evaluation Engineers (SPEE) and the American Association of Petroleum Geologists (AAPG) and Petroleum Resources Management System were used as a guide for reserves and resources definition.

Under the definition provided by the ASX and the Valmin Code, PPL 337,PPL 338, PPL 339 and PPL 340 are classified as exploration projects with PRL 21 being classified as a pre development project. These projects are both inherently speculative in nature. The projects are considered to be prospective, subject to varying degrees of risk to warrant further exploration and development proposed by Kina.

b) Sources of Information

The report is based upon information and data from company reports, public domain and technical reports and open file data. GCR has analysed and verified the source of this data and its validity. The resource estimates and well deliverability on Interoil Corporation's Elk/ Antelope field was obtained from information on Interoil's website. Reserve and resource estimates in PNG fields were obtained from public and company sources. Resource estimates for the Elevala and Uramu fields were derived by GCR with simulation of estimates of gross rock volume and reservoir characteristics of the fields. Estimates of potential resources in the Banam Anticline prospect were derived by simulation of the reservoir variables encountered in the nearest well to PPL 337 and gross rock volume derived from surface mapping.

There were no site visits organised for the purpose of this review since the information supplied, public data availability and the author's previous field work (PPL 340) was a sufficient knowledge base for technical understanding and representation of the areas.

The technical assessment in this report is not attributable to, or based on, any information regarded by the Company to be confidential and no such confidential information has been used by GCR that is not disclosed in this report.

4. KINA PETROLEUM LIMITED PETROLEUM ASSETS

Kina holds title to four PPLs in PNG. Three of the licences are located in the Papuan Basin while the fourth PPL is located in the Ramu Basin of the NNGB Basin (Fig 1). All the licences are onshore and Kina currently holds a 100% interest in each of the PPLs. Kina holds a 15% interest in PRL 21 in the Papuan Basin. The licences are outlined below:

a) PRL 21 is located in the foreland of the Papuan Basin
b) PPL 337 covers part of the southern eastern Ramu Basin
c) PPL 338 is a Papuan Basin licence
d) PPL 339 is a Papuan Basin licence
e) PPL 340 is mainly located in the Aure Fold Belt of the Papuan Basin.

PPLs in PNG are granted by the Minister for Petroleum & Energy for an initial term of 6 years. The licencee has the obligation to carry out work and expenditure commitments and provide the Director of Petroleum & Energy with particulars of its financial ability to meet these commitments. At the expiry of the first term and if commitments have been fulfilled, the licencee may apply for a second term providing it relinquishes 50% of the licence area. The period of the second term is 5 years.

All four Kina PPLs were granted on 2 September 2009 for a 6 year term expiring on 2 September 2015. PRL 21 was granted on 18 March 2011 for a period of 5 years. Details of the licences and the work and expenditure commitments are outlined below:

a) PRL 21

On the 18th March 2011 Kina together with Horizon Oil (Papua) Limited and Elevala Energy Ltd were granted a 20%, 70% and 10% participating interest, respectively, in PRL 21 for a licence term of 5 years. Subsequently, Horizon Oil (Papua) Limited announced that it had assigned 35% of this interest to Talisman Energy Niugini Limited and had purchased Elevala Energy Ltd's 10% interest. Subsequently Kina has agreed to sell 5% of its share in PRL 21 to Talisman Energy Niugini Limited.

PARTY	INTEREST
Horizon Oil (Papua) Limited	45%
Talisman Energy Niugini Limited	40%
Kina Petroleum Limited	15%

As a result of these transactions, the interests the parties will have in PRL 21 are outlined here:

Table 4.1 Petroleum Retention Licence 21 Ownership Interests

PRL 21 consists of 9 graticular blocks covering an area of 729 sq kms (180,383 acres) in the Western Province of PNG. It is located in the foreland region of the Papuan Basin and is accessible by road from the port of Drimdemasuk on the Fly River. There are also several airfields in the licence. During 2011 and 2012, the work programme will address landowner and social issues, the acquisition of 105 square kms of 2D seismic over the Elevala, Tingyu and Ketu structures and the drilling of an appraisal well on each of the Elevala and Ketu fields. Gas demand market analysis will also be undertaken together with engineering and field design plans and project economic assessments.

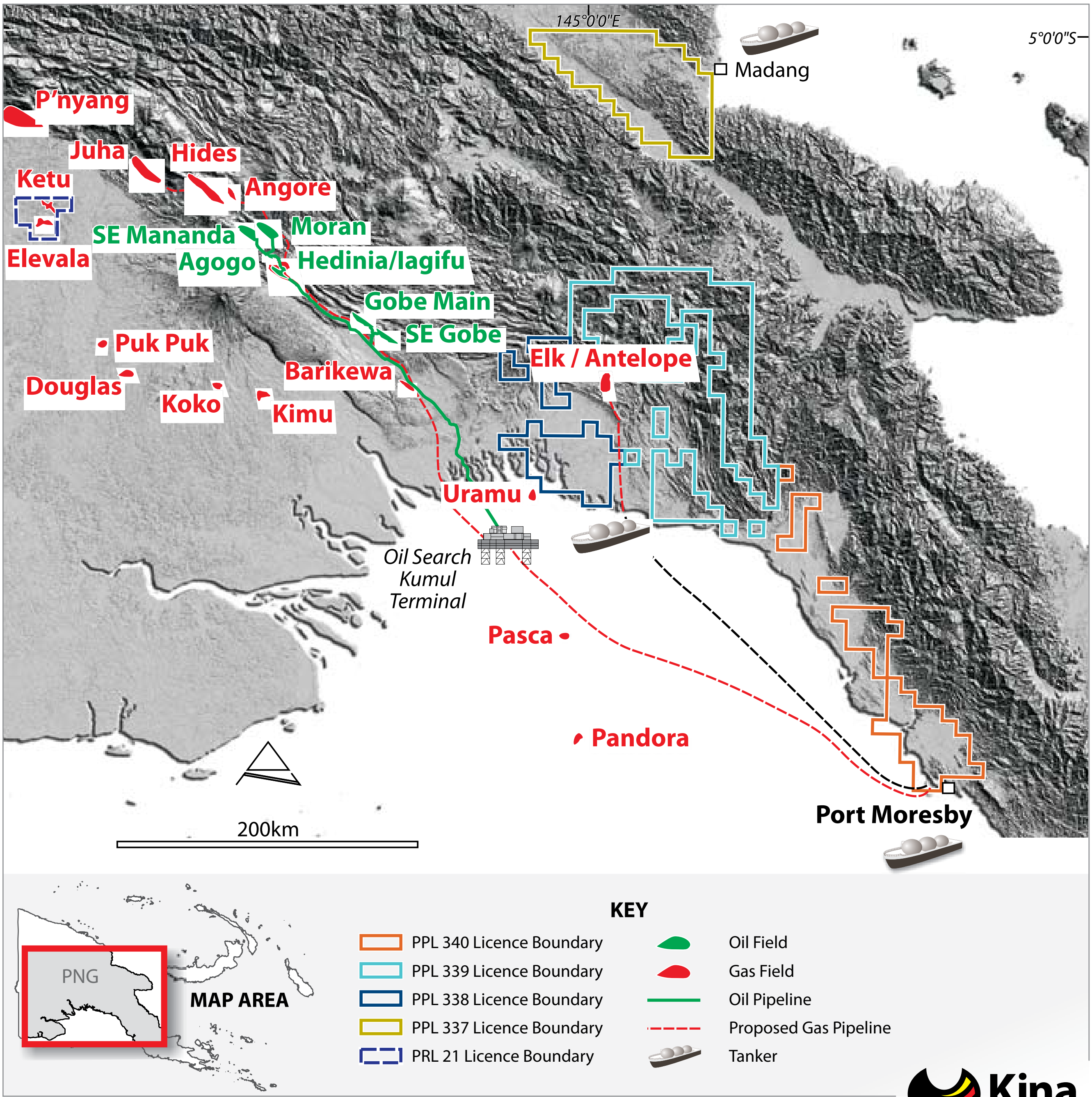


Figure 1: Kina Petroleum Limited - Petroleum Licences

b) PPL337

The licence is located onshore in the Ramu Basin of the NNGB. It consists of 68 graticular blocks covering an area of 5,508 square kms. The work commitment in the first two years of the permit term consists of a data review, technical studies and the compilation of a prospect and leads inventory. The minimum expenditure commitment for this period is US$200,000. In years 3 and 4, the work programme consists of seismic acquisition and interpretation and the drilling of one well. In years 5 and 6, the prospect and leads inventory is to be updated and one well is the drilling commitment. Over the six year term of the licence, commitments include technical studies, inventory compilation, seismic acquisition and interpretation and the drilling of two wells. Kina intends to farmout an interest in the licence to assist in the funding of the seismic acquisition and drilling programme that are currently scheduled for years 3 to 6. Kina currently is the operator of the PPL.

c) PPL 338

The licence consists of four non-contiguous lease areas totalling 39 graticular blocks extending over an area of 3,159 sq kms. PPL 338 is located onshore in the Papuan Basin. The work commitment in the first two years of the permit term consists of technical studies, inventory compilation and planning field work. These activities have a minimum expenditure of US$200,000. In years 3 and 4, technical field data and seismic acquisition, inventory update and the drilling of one well are the work commitment. The drilling of one well is the work programme for years 5 and 6. Over the six year term, the work commitment entails geological and geophysical field work, technical studies, inventory compilation, seismic acquisition and the drilling of two wells.

The Company has entered into a farmin agreement with Oil Search (PNG) Limited (OSPNG) whereby OSPNG has agreed to earn an initial interest of 30% in PPL 338 by conducting a seismic program in the PPL 338 licence area at its sole cost. OSPNG may also, at its sole discretion, acquire an additional interest of 40% in PPL 338 by funding and arranging the drilling of a well up to a maximum cost.

d) PPL339

The licence covers five non-contiguous onshore areas in the Papuan Basin. PPL 339 consists of 99 graticular blocks extending over an area of 8,019 sq kms. The work programme for years 1 and 2 of the permit term consists of a data review, planning field work, technical studies and inventory compilation. In years 3 and 4, field surveys, seismic acquisition, inventory update and the drilling of one well is the work programme. A well is planned in years 5 and 6 of the permit term.

The Company has entered into a farmin agreement with Oil Search (PNG) Limited (OSPNG) whereby OSPNG has agreed to earn an initial interest of 30% in PPL 338 by conducting a seismic program in the PPL 338 licence area at its sole cost. OSPNG may also, at its sole discretion, acquire an additional interest of 40% in PPL 338 by funding and arranging the drilling of a well up to a maximum cost.

e) PPL 340

Five separate areas comprise PPL 340 of which two are contiguous. The licence is large, consisting of 52 blocks and covering an area of 4,212 sq kms. It is mainly located in the Aure Fold Belt of the Papuan Basin. The work commitment in years 1 and 2 entails a review of data, technical studies, planning of field programmes and inventory compilation. In years 3 and 4, activities include the acquisition of field and seismic data, updating prospect inventory and the drilling of one well. Another well is the commitment in years 5 and 6 of the permit term. Kina currently is the operator of the licence. Kina intends to farmout an interest in the licence to assist in funding the seismic and drilling commitment that is scheduled for years 3 to 6 of the permit term.

f) Budgets

Assuming the Maximum Subscription is raised Kina has formulated a budget for the next two years for its share of expenditures on the licences. It is anticipated that AUD $13.925 million will be appropriated to operations in the licences. Details are outlined in the following table.

	YEAR 1	YEAR 2	TOTAL
PRL 21			
Seismic Acquisition/Interpretation	1,125,000	-	1,125,000
Prepare, Drill and complete 2 wells	10,000,000	-	10,000,000
Evaluation	100,000	-	100,000
Sub-total	11,225,000	-	11,225,000
PPL 338			
Drill 1 well	-	2,200,000	2,200,000
Sub-total	-	2,200,000	2,200,000
PPL 340			
Field Activities/Seismic	500,000	-	500,000
Sub-total	500,000	-	500,000
Total	**11,725,000**	**2,200,000**	**13,925,000**

Table 4.2 Kina Petroleum Limited Exploration and Development Budget (AUD$)

Our review of the budget estimates indicate the assumptions used in formulating the budget are reasonable. The proposed appropriation of funds are for the purpose for which they will be raised and applied to maximise shareholders wealth.

5. THE PAPUAN BASIN

The Papuan Basin is part of a larger sedimentary feature that extends from the North West Shelf of Australia to PNG. It was formed in the late Triassic in response to rifting that occurred along the northern Australian plate boundary. Extensional faulting continued to the mid-Jurassic with half-graben development that was subsequently infilled by passive margin sediments. Jurassic rift sediments have been encountered in several wells and are recognised by seismic above basement onlapping local highs. From mid-Jurassic, a passive margin clastic wedge of sediments representative of the major Jurassic economic units of the Koi-lange, Imburu and Toro formations were deposited in the basin. This sedimentary fill eventually covered the basement highs. Generally, subsidence continued in a marine environment throughout the Cretaceous with the deposition of the Ieru Formation. The basal sand of this shale unit forms the pay in a number of foreland gas fields. The extensive shale development of the Ieru acts as important seal for the discoveries. Regional uplift in the west resulted in the erosion of Jurassic shale section at the start of the Cretaceous. This movement was accompanied by volcanism in the east. The Kerabi Sandstone sourced from volcanics was deposited to the north at this time.

Rifting associated with the opening of the Coral Sea occurred in the Upper Cretaceous. Uplift occurred in the western part of the basin with the Ieru experiencing erosion through to Oligocene time. The basin deepened to the east and important economic units as the prograding Subu Sandstone, the Pale Sandstone and the Barune Sandstone were deposited. The unconformity between the Tertiary and the Mesozoic sediments is abrupt in the west extending from the Upper Cretaceous to the Oligocene. Towards the east, it is definitive except in the Aure Fold Belt where most of the Cretaceous is absent.

In Eocene time, a carbonate platform developed on a passive margin in the Papuan Basin. The Mendi Limestone was deposited around the Australian continent to the south. Neritic carbonates were deposited to the north and east. These sediments in the Puri Fold Belt form fractured reservoirs and are one of the objectives in Kina's exploration programme. A massive carbonate sequence is characteristic of the Oligocene-Miocene in the Papuan Basin. These carbonates unconformably overlie Mesozoic sediments in the west, the Mendi Limestone in the centre and volcanics to the east. Only in the Aure Scarp is there a continuous sedimentary section from the Mesozoic through to the Recent. The Darai Limestone has a range of depositional environments from neritic, open marine shelf to barrier reef complexes to standalone pinnacle and atoll buildups.

The collision of the northern Australian continental margin and the island arc system of northern PNG in the middle Miocene resulted in compressional tectonics and the development of the Papuan Fold Belt. Thrusting was directed to the south and continued from late Miocene to the early Pliocene. The Miocene to Recent clastic wedge in the Foreland was sourced from the orogenic belt. This generally marine sequence is represented by the Orubadi Formation and the Era Beds in the Papuan Basin. The stratigraphic sequence in the Papuan Basin is illustrated in Fig 2.

The abundance of oil & gas seeps in the Fold Belt and Foreland regions of the Papuan Basin together with the discovery of large fields indicate an active hydrocarbon system (Fig 3). The principal source rocks in the Kutubu/Gobe area are in the Jurassic age Lower Imburu Formation. Other source rocks are in the Koi-Iange Formation, the Magobu Coal Measures, the Barekewa Formation and the Triassic age, Kanau Formation. Analyses of residual oil recovered from the Mendi Limestone in Interoil's Moose#1 & 2 wells in PPL 238 indicate two sources. A calcareous source probably associated with the Mendi Limestone and a Jurassic origin. Fluid inclusions in the Barune Sandstone in PPL 340, indicate a calcareous source of probable Cretaceous or younger age. Drilling in or adjacent to PPL 338 and PPL 339 indicate elevated temperature gradients and sufficient section in the licences to generate hydrocarbons. There has been migration of hydrocarbons from sinks in the basin for distances ranging from 50 to 100 kms.

The Pliocene section in the Papuan Basin has generated considerable quantities of biogenic gas. The Pandora and Uramu fields in the Gulf of Papua are biogenic gas accumulations. In the Aure Fold Belt, biogenic gas has been encountered during drilling operations. Biogenic gas is also present in several gas fields in the Foreland. The source of this gas has been derived from the degradation of oil accumulations rather than the decomposition of organic material. There is considerable potential for the discovery of additional resources of biogenic gas in Miocene and Pliocene reefs encased in Plio-Pleistocene section. Biogenic gas is dry sweet gas with a composition of essentially methane. It is an ideal feedstock for LNG.

The Papuan Basin is a hydrocarbon province where over 460 mmbbls of oil have been produced and is an area that has significant gas liquids discoveries. The Hides Field is the only gas field currently in production. This field together with other associated and non-associated fields will be developed to provide feedstock for LNG plants.

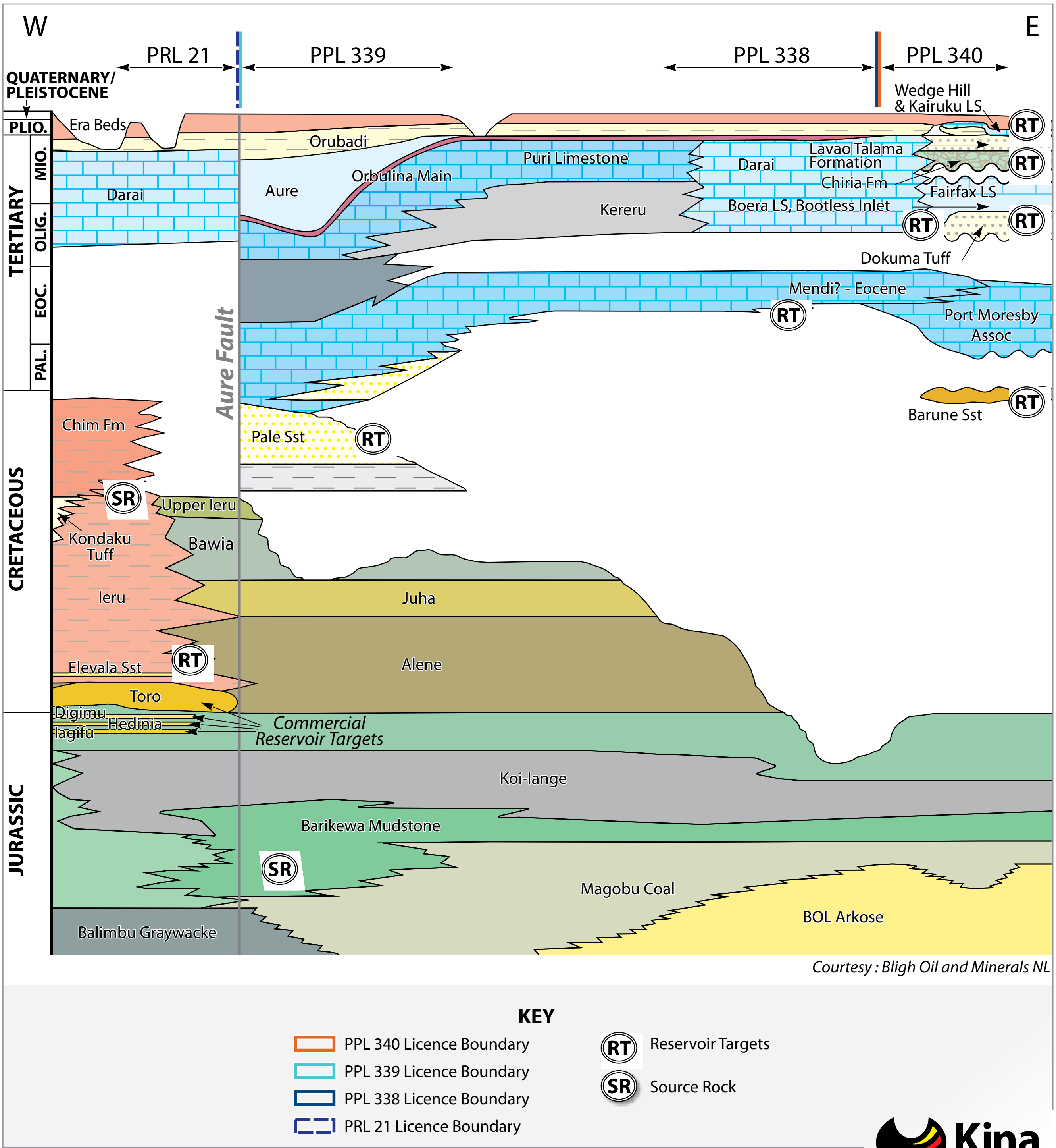


Figure 2: Stratigraphy PPL 338, 339, 340 and PRL 21

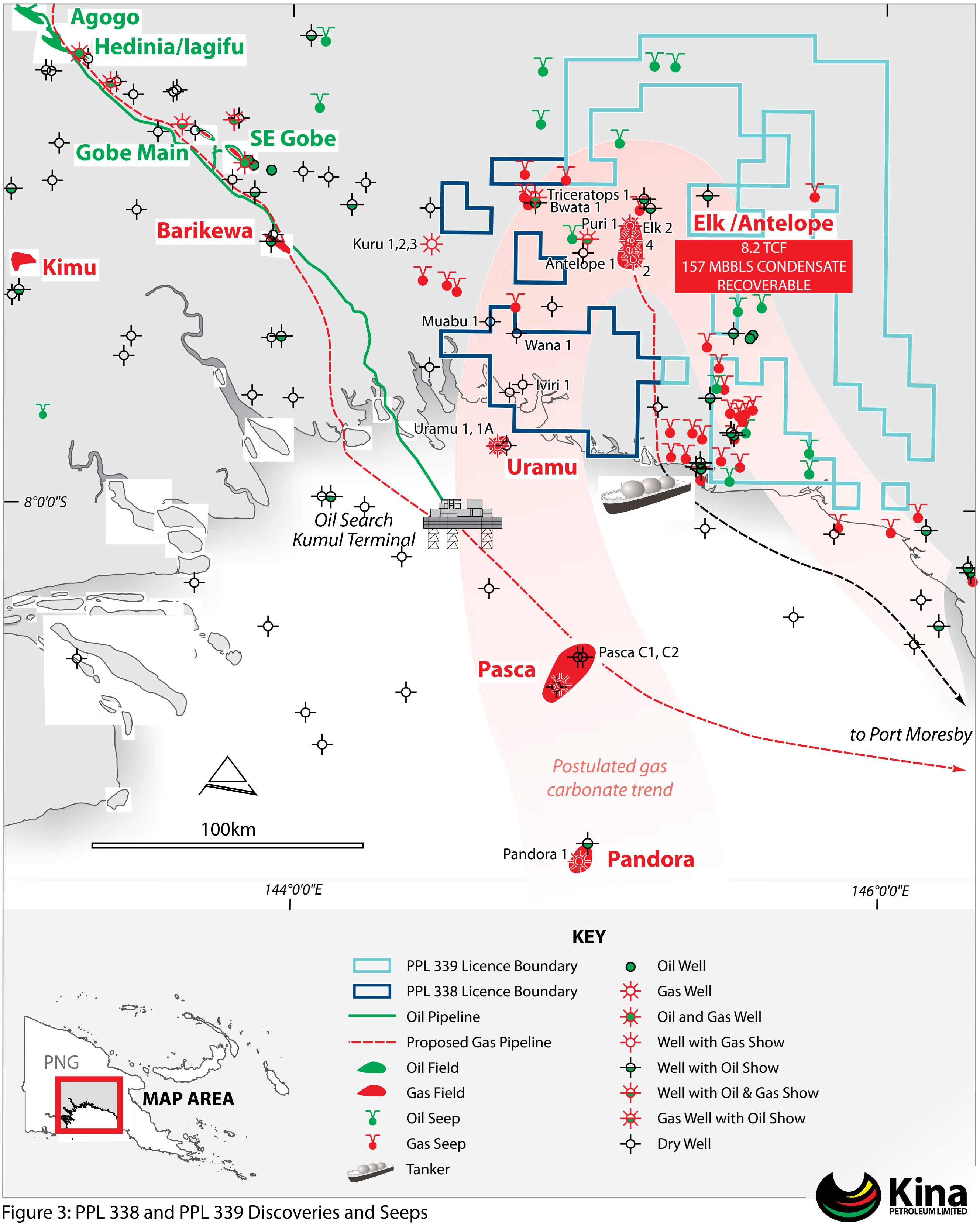


Figure 3: PPL 338 and PPL 339 Discoveries and Seeps

a) PRL 21

The licence encompasses two stranded gas fields (Elevala and Ketu) which were discovered by British Petroleum Development Ltd (BP) in the early 1990's. The fields are located in the Foreland region of the Papuan Basin in the Western Province of PNG (fig 4).

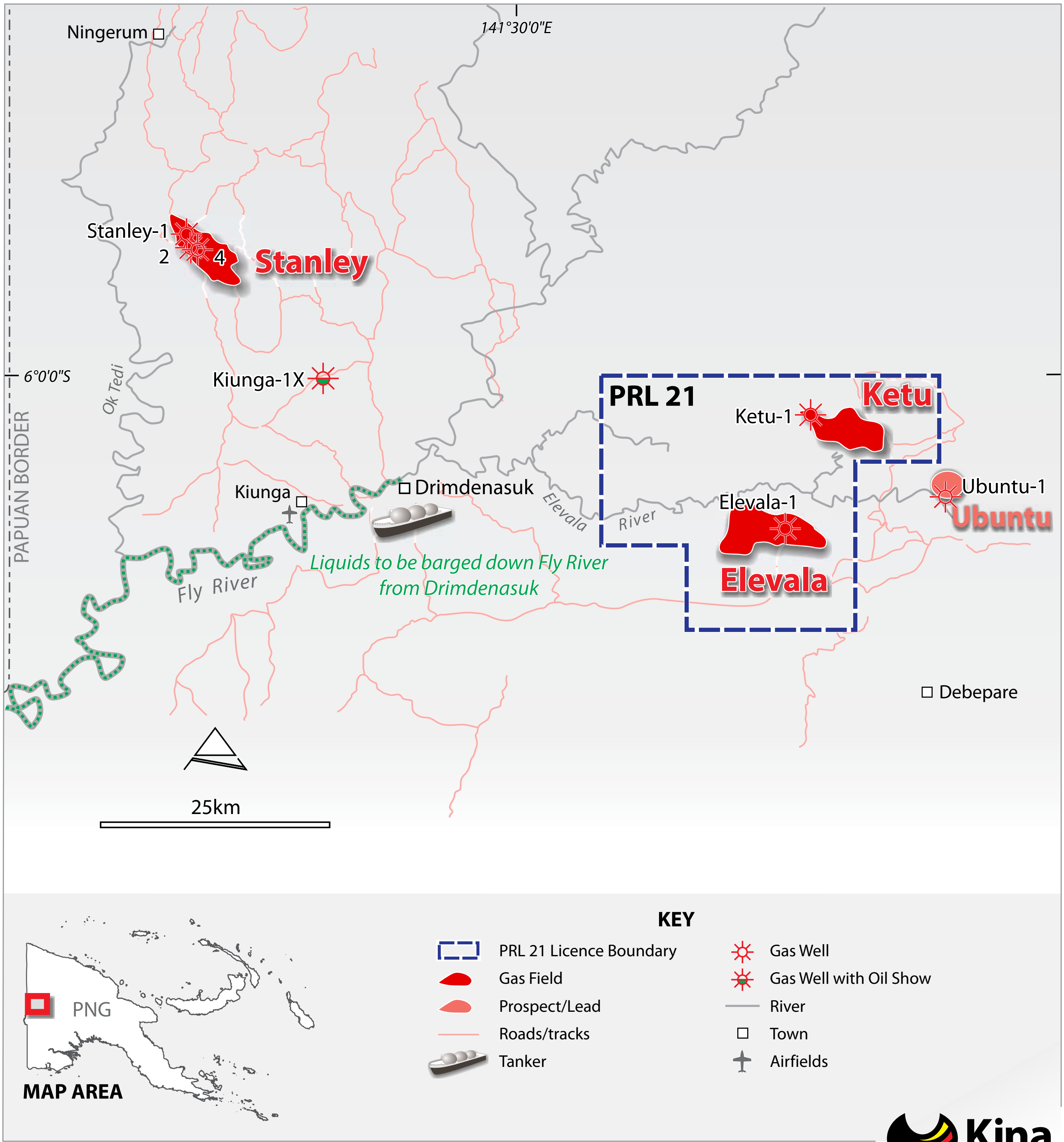


Figure 4: PRL 21 Location Plate

ELEVALA

In 1990, gas was encountered in the Elevala#1 well in the Cretaceous age Elevala and Toro sandstones. Pay extended over an interval of 17 meters in the Elevala with a net/gross ratio of 67% and a net pay of 11.5 meters. No gas/water contact (g/w) was encountered in the Elevala Sandstone in the Elevala#1 well. The Toro pay extends over a gross interval of 5.5 meters with net pay of 3 meters. No G/W was encountered in the Toro in the Elevala#1 well which was drilled to a T.D of 3206 meters.

The Elevala structure is a compacted drape feature developed over a basement high (fig 4). The anticline at Toro level has two culminations with about 60 meters of vertical closure. Aerially, closure extends over a large area of 70 sq kms (17,300 acres). A drill stem test (DST) of the Elevala Sandstone in the Elevala#1 well flowed at a stabilised rate of 11.9 mmscfd and 634 bcpd of 54'API gravity. The Elevala is a fair to good reservoir with average porosity of 15.6% for the net pay interval. Test results indicate good permeability of 323 md. No barriers were encountered within the 834 meters radius of investigation (ROI) of the test. The well has an AOF potential of 60 mmscfd and 17 bcf of gas was indicated within the ROI of the test. At Elevala level, the well was drilled over balanced and test results indicate this caused significant skin effects on the reservoir. The well has a greater flow capacity.

Repeat formation tests (RFT) of the Toro Sandstone indicate that the Toro is not in communication with the Elevala Sandstone. The Toro sands have fair porosity averaging 16.8% and higher water saturation than the Elevala. The reservoir units within the formation are thin at this location. Seismic data indicates the Toro to Basement interval thickens off the Elavala#1 culmination. A thicker Toro can be expected towards the flanks of the structure.

The Elevala Sandstone is a retrograde gas reservoir at dew point pressure. Consequently, there is potential for a possible oil leg down the flanks of the structure. It is not uncommon in PNG for gas reservoirs to be a dew point pressure. Fluid history analysis of samples from the Elevala Sandstone indicate that this reservoir had low oil saturation. A paleo oil column in the Toro points to a late gas charge that displaced this oil that had migrated early into the Elevala structure.

The reservoir gas at Elevala is rich in liquids. Compositional analysis of fluids from test results indicate up to 27 bbls/mmcfd of LPG and 55 bbls/mmcfd of condensate may be recoverable from the gas stream. Pressure maintenance is required to prevent liquids dropping out in the reservoir and avoiding resource loss. It is the intention of the joint venturers to produce the condensate and recycle the residue gas to the reservoir for pressure maintenance. At this stage, the Elevala Sandstone is a reservoir that would be amenable to gas recycling operations. The thickness and continuity of the reservoir units in the Toro would need to be enhanced before any attempt to use this formation for a recycling project. Appraisal drilling on the Elevala Field in 2011 will evaluate the potential of the Toro. The Field covers a large area and the Elevala Sandstone has considerable resource potential. Simulation of reservoir variables by GCR indicates the following OGIP and their probability of occurrence:

Table 5.1 Elevala Field Prospective Resource *

RESERVOIR	OGIP(BCF)	PROBABILITY %
Elevala	650	10
	400	50
	190	90

** Represents the estimated quantities of petroleum that may potentially be in place and any recovery is dependent on the application of future development. Further evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*

The Elevala reservoir is at a depth of 3,060m in the Elevala#1 well. Reservoir pressure is 4,373 psi and temperature is 253'F. Liquids in the reservoir would be in a gaseous phase. Modelling of reservoir conditions with gas production and pressure maintenance indicate possible recovery of up to 50 bbls of condensate/mmcf. GCR considers there is potential to recover a prospective resource in excess of 20 mmbbls of condensate from the Elevala Field.

PROPOSED DEVELOPMENT ACTIVITY

Subject to the results of the appraisal drilling of Elevala 2 and Ketu 2 it is the intention of the PRL 21 joint venture to develop these fields with the ultimate aim of developing a liquids stripping and gas reinjection project.

This reinjection project is past the conceptual stage. Studies have been carried out on the project for the past 20 years. Low commodity prices that prevailed during the 1990's did not justify the development. However, it is the intention of the joint venture to develop the project.

A well each will be drilled on the Elevala and Ketu fields and a testing programme will be conducted on the reservoirs. Coring, fluid and PVT analyses will be carried out. Reservoir modelling will be undertaken to assist in forecasting production, economic analysis and maximising the recovery of liquids.

At this stage, it is intended that a recycling project will be undertaken on the resources of the Elevala#1 culmination. The Elevala #1 well will be re-entered and completed for gas production. Two additional production wells will be drilled and two injector wells will also be drilled. It is the intention of the joint venture to produce the wells each at about 70 mmcfd, separate the condensate and reinject the residue gas back to the reservoir.

It is envisaged the stabilised condensate would be transported by pipeline to the port of Drimdemasuk and then barged down the Fly River to market. It is the objective of the joint venture to initially produce 12,000 bbls of condensate/day. Scoping economics indicates that the project may be a viable undertaking at today's commodity prices and it may provide significant benefits to shareholders.

KETU

The Ketu #1 well was spudded in November 1990 and reached a total depth of 3,547 meters in granitic basement in April 1991. It was plugged and abandoned as a gas/condensate discovery. The field is located in the Papuan Foreland, 15 kms north of the Elevala Field (fig 5). It is a fault bound compactional drape structure with about 40 meters of vertical closure. Aerially, the feature is closed over 36 sq kms (8,900 acres).

Gas was encountered over the entire interval of the Elevala Sandstone. Net pay in the sand was 10.7 meters. Analysis of RFT and log data indicates that the Toro and Imburu sands were wet. No tests were conducted in the well due to mechanical problems.

PROSPECTS AND LEADS

The Tingyu prospect has been outlined by seismic about 7 kms to the north-west of Elevala structure (fig 5). Additional seismic will be acquired over the feature in 2011 and 2012 to detail the structure. Tingyu has similarities to Elevala and will provide a future opportunity to extend potential resources in PRL 21.

The Elevala and Tingyu features are developed on the footwall side of a down to the SW fault. Two additional leads are developed along this fault trend. Another lead is indicated on the footwall block of a NW-SE trending fault to the SW of Elevala.

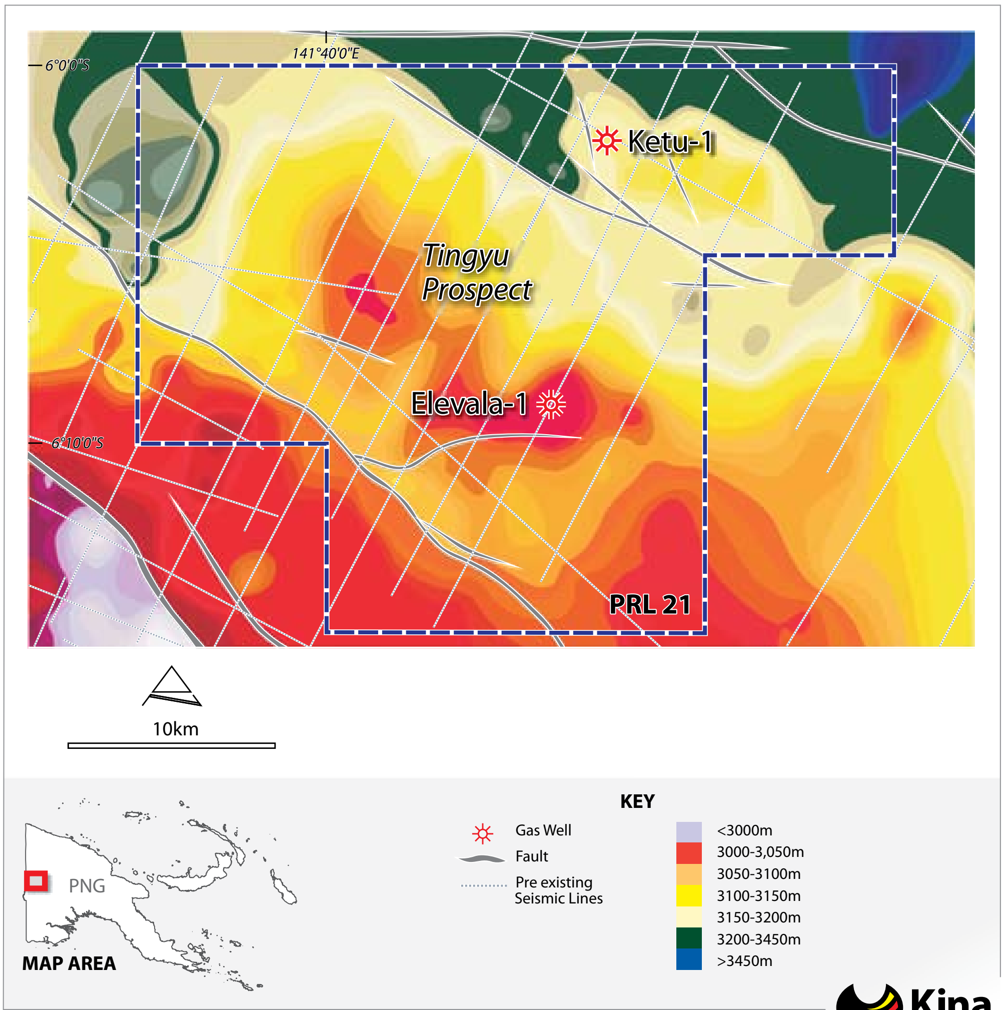


Figure 5: PRL 21 Depth Structure Map

b) Play Concepts in PPL 338 and PPL 339

The main objectives in the PPL 338 and PPL 339 licences are Miocene and Eocene carbonates. These units may be limestones and dolomites and traps may be developed in bioherm build ups, thrust structures or a combination of both.

The Eocene sediments are deep water micrites and their reservoir characteristics are controlled by the degree of fracturing and dissolution in the section. In the Puri Fold Belt, fracturing of these competent rocks is enhanced by the level of tectonic activity.

Tests of the Eocene carbonates in the Wana #1 and Puri #1 wells (Fig 5) flowed water at rates of 18,000 bwpd and 2,962 bwpd respectively. Shoaling of the carbonate around the Wana High has probably contributed to the development of good reservoir in this area and represents one of the exploration objectives in PPL 338.

The Puri Limestone is of Miocene Age and was deposited in an outer shelf to deep water environment. Elevated blocks of the underlying Mesozoic have encouraged the development of reefs in the Puri. Hydrocarbons have been encountered in the Puri Limestone in the nearby Puri #1 well, Bwata #1 and Kuru #1 wells.

On production test, Elk#1 flowed gas at 102 mmscfd and 510 bcpd. Although the weighted average fracture porosity is less than 1%, permeability ranges from 0 to 4,500 md.

The reservoir characteristics of Miocene reef build ups are influenced by moldic porosity and fracturing with the compaction of the reef. Dolomitisation of the reefs enhances their reservoir capability. The storage capacity of the reef in the Elk/Antelope Field far exceeds the fractured reservoir section in platform and neritic limestones. More than 80% of the estimate of resources in the Elk/Antelope Field are in the Puri reef section. Offshore PPL 338, the Uramu dry gas field is developed in a Miocene reef feature. Porosity in the pay averages 27% and permeability ranges up to 600 md. The Uramu 1A well flowed at 24 mmscfd on a ½" choke. The most likely (50% probability) OGIP resource estimate for Uramu is 480 bcf of gas.

The seals on the carbonate objectives in PPL 338 and PPL 339 are intraformational and the overlying Pliocene mudstones. Both seals are effective with the Pliocene mudstones being the source of biogenic gas in the Uramu and Pandora fields.
The recent discovery of large gas resources within 30 kms of Kina's PPL 338 has enhanced the prospectivity of the Company's licences. Kina's PPL 338 and PPL339 are in the same structural province and have similar reservoir objectives and are subject to a regime of hydrocarbon generation, migration and entrapment. The Elk/Antelope Field consists of two contiguous but separate gas condensate accumulations developed in fractured limestones of the Puri and Mendi formations and a Puri dolomitized reef. The gross gas column is about 788 meters in the Elk block and 688 meters in the Antelope Field. Most of the resources are booked in the Puri reef in the Antelope block. Based on a probability analysis of all reservoir parameters, the best estimate (P50) of resources are:

Table 5.2 Interoil Corporation Elk/Antelope Field Resource Estimates

	TCF	MMBBLS
OGIP	11.03	
Recoverable Resources	9.08	
Marketable Sales Gas	8.18	
Marketable Condensate Resources		156.5

The prospectivity of PPL 338 and PPL 339 has facilitated the farmout of these licences to Oil Search (PNG) Limited. A review of seismic data outlining prospects in adjacent licences indicated that acquisition and processing techniques have improved considerably in the Puri Fold Belt. Structure is complex exhibiting thrust and fold belt features such hanging wall detached drag folds, triangle zones, duplex structures, listric faults and back thrusts. Unsuccessful drilling outcomes have mainly resulted from breached seals.

Participants in the Elk/Antelope Field plan to commercialise the resources by piping gas to an LNG facility on the coast to the west of town of Kerema. They plan initially to establish a 2 million tonne per year processing train which would utilise 1.5 Tcf of gas at a rate of about 500 mmcfd over a 15 year period. First shipments of LNG are scheduled late 2013.Condensate will also be stripped from the raw gas stream and transported to the coast for offshore sales. The viability of LNG operations are dependent on pricing, long term contracts, reserves, well deliverability and capital outlays. Appraisal drilling on the Elk/Antelope Field has established a significant resource base that is adequate to meet the forecast level of sales for the project. Production testing of the Antelope wells has resulted in exceptional flows of gas and condensate. Antelope #1 flowed gas at 382 mmscfd with 5,000 bbls of condensate/day. The flow was through a 31/2" choke. The No#2 well flowed gas at 705 mmscfd and 11,000 bbls of condensate/day through a 43/8" choke and a flowing tubing pressure of 1,258 psi. The outstanding productive capacity of these wells should minimise development capex and ensure gas availability for processing into LNG.

PPL 338

PPL 338 is located onshore at the head of the Gulf of Papua. Several rivers traverse the licence providing access to the sea and facilitating transport to the area. A large part of the licence is a deltaic plain with swamps that rises to the mountainous north that is covered with rainforest. There are three district centres in the licence which is strategically located near the oil pipeline from the Kutubu fields and the proposed gas pipelines that will service LNG plants in nearby coast and the Port Moresby area. There is no road access but several airstrips service the area which is 280 kms to the north-west of the capital.

Seismic coverage of the licence is sparse and it restricted to the north and east. There have been two refraction and nine reflection surveys carried out in PPL 338. Aeromagnetic and gravity surveys have also been run. Gravity data was mainly gathered along river courses in the licence. The spacing of lines with the past geophysical methods is inadequate to detail prospects in the area of interest.

Four wells have been drilled in PPL 338, one of which was a stratigraphic test and the other three had objectives of Miocene and Eocene carbonate section. All wells were plugged and abandoned. The Wana #1 well was drilled in 1951 on a gravity high which was not a closed feature. Wana #1 encountered good reservoir in the Puri and Mendi limestone section. A drill stem test flowed 18,000 bbls of salt water per day from this section in the well. The Iviri #1,Muabu #1 and Ini#1 wells were drilled in the period from 1965 to 1968. Iviri #1encountered porosity in both the Miocene and Eocene carbonate section. The well was not drilled on a closed structure and the objective carbonate section was wet. Existing seismic data indicates that the Iviri reef can be encountered at a higher elevation. Seismic is planned to define a location on the reef which is at least 250 meters higher than the Iviri #1 location (Fig 6). Muabu #1 was drilled to test Eocene carbonates, the only horizon within closure on the structure. Good porosity was encountered in the objective section which was wet. Ini #1 was drilled in 1968 to test a Miocene reef development. A drill stem test (DST) of the objective section flowed water. The drilling programme has proved the good reservoir characteristics of both the Miocene and Eocene section in PPL 338. Three of the four wells were drilled on features that were not valid closures.

PROPOSED WORK PROGRAM

Seismic acquisition commenced in June 2011 and 57km's of seismic has been acquired by OSPNG in PPL 338. The results of this seismic will assist OSPNG in its assessment to run additional seismic within the PPL or move directly to drilling and exploration well.

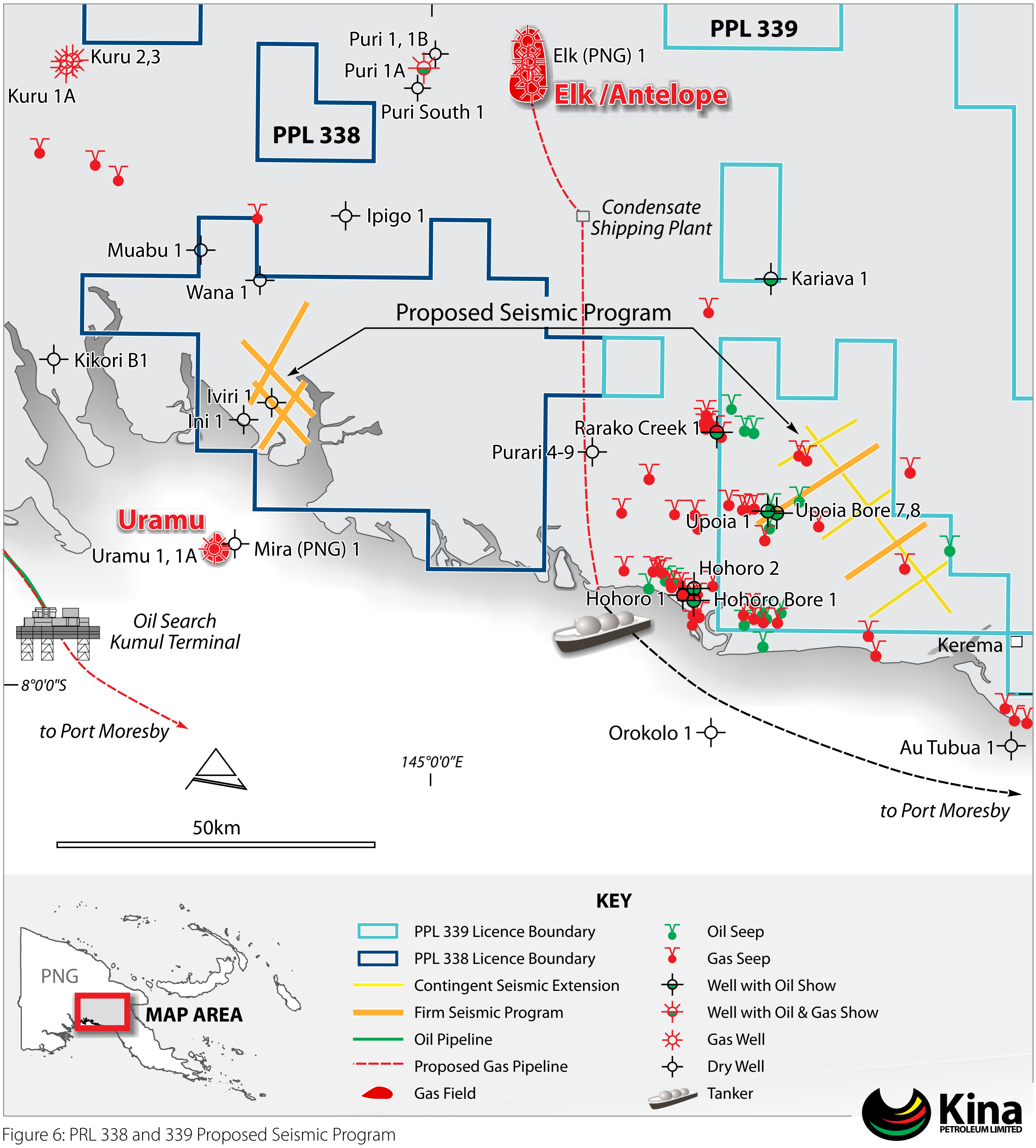


Figure 6: PRL 338 and 339 Proposed Seismic Program

PPL 339

PPL 339 consists of 5 non contiguous blocks covering an area of 8,019 square kms in the Papuan Basin. The licence extends over a number of different provinces of the basin which include the Puri and Aure Fold Belts, the Foreland region and the Papuan Fold Belt. The terrain ranges from the lower deltaic plain of the Purari River with lowland forest to mountainous rainforest covered areas to the north. PPL 339 is accessible from the Gulf of Papua, by road from the capital, Port Moresby and the port of Lae. There are airstrips within and adjacent to the licence.

The licence areas to the south have been subjected to petroleum exploration for almost 100 years. These areas have a minimum of 10 gas seeps and 8 oil seeps. Between 1911 and 1919, several shallow holes were drilled near Upoia and light oil shows were encountered in Miocene sediments. In the period 1923 to 1926, seven scout holes were drilled and showing of oil and gas were reported in these shallow wells. The Kariava#1 well spudded in 1941 and was suspended in 1942 due to the outbreak of war with Japan. Drilling recommenced in 1946 and the well finally reached a total depth of 3,848 meters in mudstones and limestones of the Aure Beds. This well, the first deep well in PNG was subsequently plugged and abandoned in 1948. After World War 11, APC drilled 4 deep wells to test the Miocene sequence in or adjacent to the licence. The wells were Hororo #1 (1,439m), Hororo #2 (3,244m), Upoia #1(1,633m) and Kariava #1(3,848m). Although hydrocarbon shows were encountered, all wells were plugged and abandoned. These wells were located on complex surface features that had poor subsurface control. Generally, the quality of the reservoirs was poor. Similarly, the Rarako Creek #1 located within PPL 339 encountered poor reservoir. This well was drilled in 1967 to a depth of 3,053 meters.

The main objectives in PPL339 are the Eocene Mendi Limestone and the Miocene Puri Limestone. Pliocene reef developments also offer potential in the licence. Although, the Campanian Pale Sandstone outcrops in the Aure Scarp region and has good reservoir development, it has not been encountered in the subsurface to date. The Pale Sandstone represents a quality objective in the licence and has the potential to contain large petroleum resources sourced out of the Jurassic. The Mendi Limestone would provide the seal on the Pale Sandstone. The Mendi, Puri and Pliocene limestones have proven reservoir potential in the area of interest. The proposed seismic programme will be directed to the Wulai Anticline (Fig 7). This area is a structural terrace located to the west and adjacent to the Aure Fold Belt. It is an area of elevated pre Mesozoic rocks that offers a fractured basement play. This type of lead has been successfully exploited in SE Asia (Fig 8).

The PPL 339 seismic programme has been completed by OSPNG who are currently assesing the result of this program.

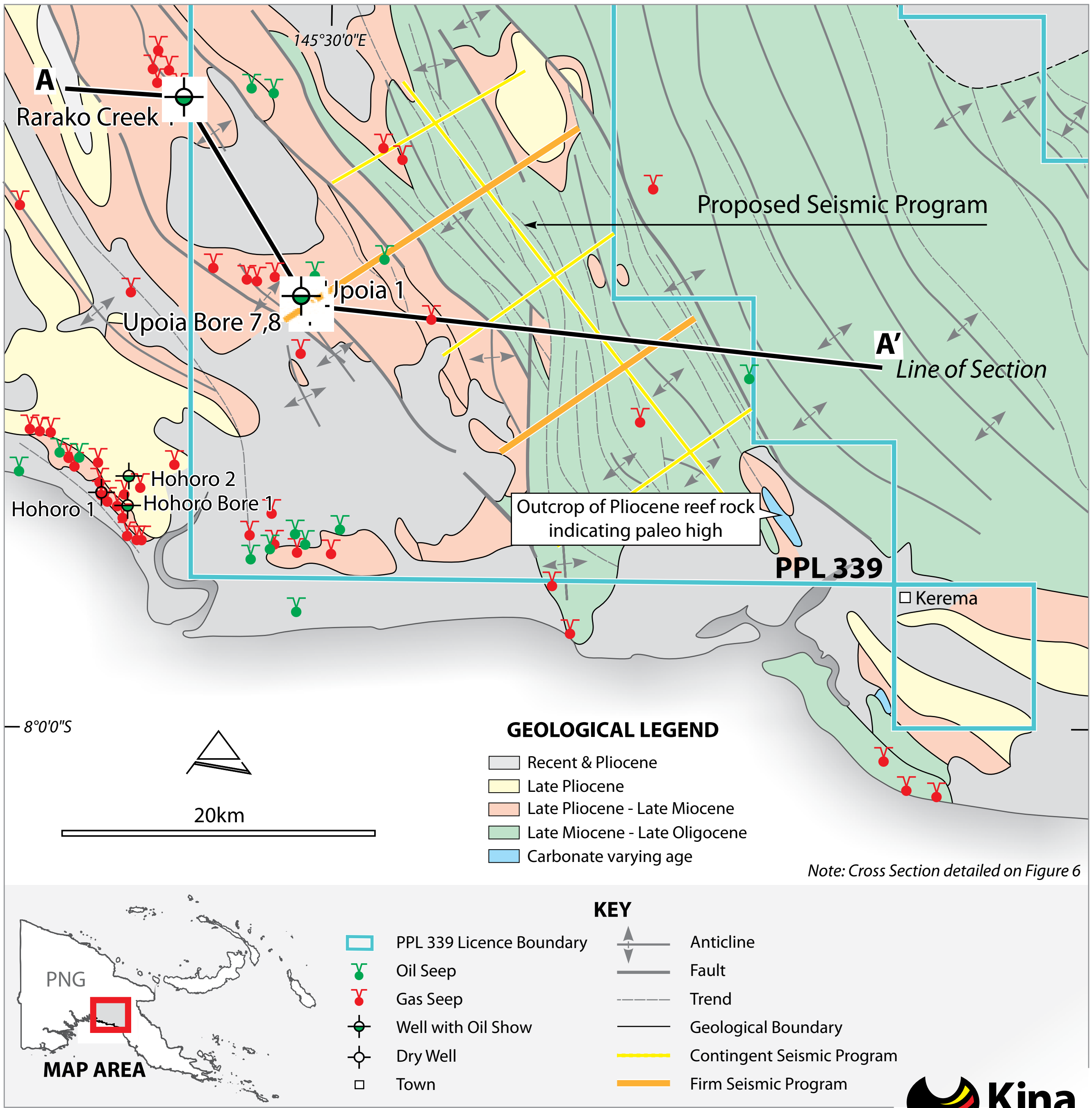


Figure 7: PRL 339 Geological Setting including Completed Seismic

PROPOSED WORK PROGRAM

An exploratory seismic program to investigate the plays on the aforementioned Wulai Anticline was completed in August 2011.

Following interpretation of the seismic data, a decision to move to Phase 2 seismic acquisition will be made by the Joint Venture.

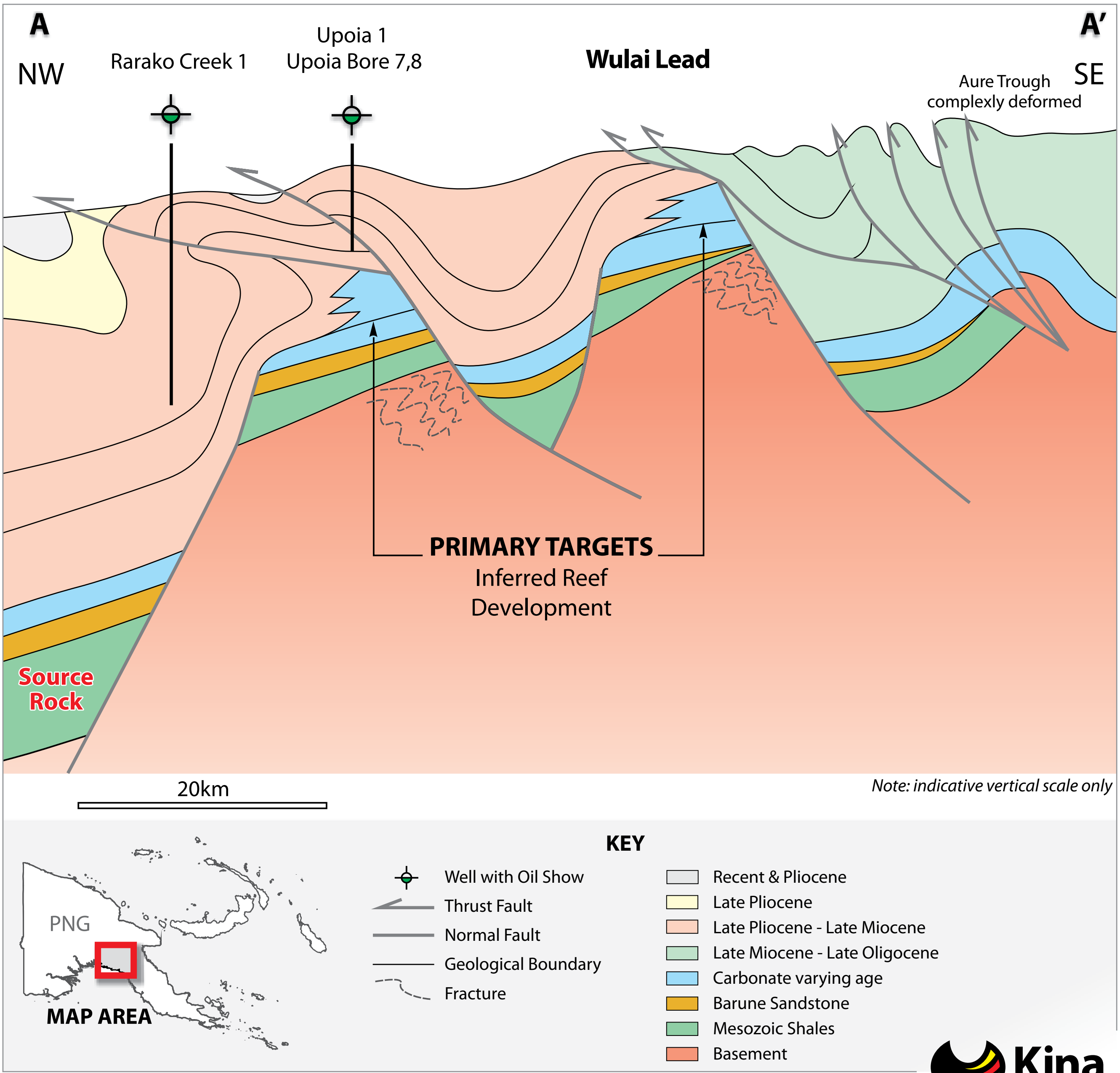


Figure 8: PRL 339 Play Type

PPL 340

There has been exploration activity in and adjacent to PPL 340 for about 100 years. Surface geological work started in 1911 when gas seeps on Yule Island to the NW of the capital Port Moresby were investigated. The Anglo-Persian Oil Co conducted surveys on behalf of the Australian Government between 1920 and 1929. Between 1922 and 1929, the Australian Government drilled five wells on the Popo Anticline, the deepest of which was 411meters. In the period between 1938 to 1953, APC conducted many surveys in the area. The Papuan Apinaipi Petroleum Co Ltd carried out mapping and exploratory drilling between 1936 to 1957. Numerous pits were dug on the Oiapu Anticline and four scout holes and three exploration wells were drilled in the period from 1938 to 1941. The Bureau of Mineral Resources (BMR) mapped the Apinaipi and Lesi anticlines between 1947 and 1949. Petroleum subsidy encouraged petroleum exploration during the 1960's and 1970's. Regional gravity, magnetometer and seismic surveys were conducted in the area of interest. Of particular significance to the understanding of the structural geometry of the area and the extent of the Mesozoic were the seismic surveys and drilling activity conducted by Phillips Petroleum adjacent and offshore from PPL 340. Similarly, Marathon Petroleum's seismic surveys to the north of the licence assisted in delineating a Pliocene reef trend and the Tovala Anticline. In 1970, CGG conducted a marine geophysical survey including seismic, gravity and magnetic data acquisition in the Gulf of Papua. Surface geological mapping continued in the mountainous north east sector of the Papuan Basin until 1973. PPL 340 is a large permit and detailed seismic cover is required for prospect definition for surface expression of structural entities is not reflective of their subsurface geometry.

PPL 340 represents one of the few PNG exploration licences with access to transport infrastructure. It is serviced by road, air and port facilities. The establishment of a refinery and LNG facilities in the Port Moresby area provides a domestic outlet for petroleum production. Small to medium sized discoveries become viable development options because of the access and proximity to markets.

PPL 340 is located in the eastern Papuan Basin and covers part of the Aure Fold Belt. The licence is in a province characterised by a NW-SE trend of structures represented by anticlinal features with intervening broad synclines. The anticlines have surface expression and in places merge into anticlinoria. They have been the subject of activity involving mapping and exploratory drilling. Only 1 well has been drilled in PPL 340. However, the surrounding onshore and offshore licences have provided a data base to evaluate the area. The stratigraphic sequence in the licence is outlined in Fig 9.

Exploratory drilling on the Oiapu Anticline to the west of PPL 340 encountered gas and oil shows in the Pliocene Orubadi Formation. The oil shows may be derived from Mesozoic or Eocene source rocks. Although the wells were shallow (the deepest 845 meters), subsurface structure was complex and indicative of detachment features. Gas shows were also encountered in wells on the Popo and Apiniapi structures and these hydrocarbons are considered to be of biogenic origin. The Popo feature to the north of Oiapu is a diapiric structure whereas Oiapu is a detached anticline. The Oroi#1 well (Fig 11) was drilled in 1949 down the plunge of a large surface anticline south of Oiapu and west of PPL 340. The well flowed gas cut water at 131 bwpd. Logs indicated 19 meters of gas pay overlying water at this location.

The Tovala 1 and 1A wells were drilled in 1969 adjacent to the current PPL 340. The wells encountered high pressure gas associated with an influx of salt water in overpressured Recent to Mid Miocene clastics which are predominately mudstones. The more porous units (up to 22%) within this sequence were filled with salt water and associated gas. A gas flow ranging from 1.5 to 2 mmscfd was recorded from the Aure Beds. This flow was accompanied by water to surface at a rate of 240 bwpd.

The Black Bass#1 well was drilled in 2005 to a depth of 1,789 meters to test an anomaly that was considered to be a Pliocene reef. This feature proved to be a fluvial sand. However, good reservoir was encountered in the Wedge Hill Limestone which had porosity values ranging from 20% to 22%. This Pliocene reefal carbonate is a primary exploration objective in the northern part of PPL 340. The Black Bass#1 well kicked from a fractured reservoir in the Talama Volcanics. Reservoir has also been encountered in the Talama in the offshore Maiva #1 and the Kapuri #1`wells. The latter well flowed up to 4,800 bwpd.

To the north of PPL 340 and offshore from the Licence, a trend of Pliocene Age reefs is developed. These features represent exploration objectives with reservoir potential. Miocene Age reefs are also developed in the Saw Mountains to the north of PPL 340. The Pale Sandstone in the Aure Scarpe has good reservoir characteristics and is a major exploration objective. Similarly, its equivalent in the Port Moresby area, the Burune Sandstone offers potential. Hydrocarbon inclusions in this reservoir indicate a possible Mesozoic source. The elevated gas readings to C4 levels in the Aure Beds in the Black Bass#1 well also point to a Mesozoic source. The carbonates and cherts in the Eocene Age Port Moresby Beds offer potential for fractured reservoir development in the southern part of the licence.

Structures represented by detached anticlines features offer potential for trap development. All surface features drilled to date in the area of interest have complex subsurface geometry. Detailed seismic is required to define potential traps and reservoir objectives. The initial seismic programme in PPL 340 will concentrate on structures to the north of Port Moresby. Seismic will be conducted on the SE extension of the Oroi structure with Mioicene clastics and the Burune Sandstone as objectives. The licence has numerous reservoirs and potential for biogenic gas accumulations. Access to Mesozoic oil prone source rocks is indicated from offshore seismic information (Fig 11). The major risks in the licence are the variability and continuity of potential reservoirs, access to Mesozoic source rocks and imperfect seismic information.

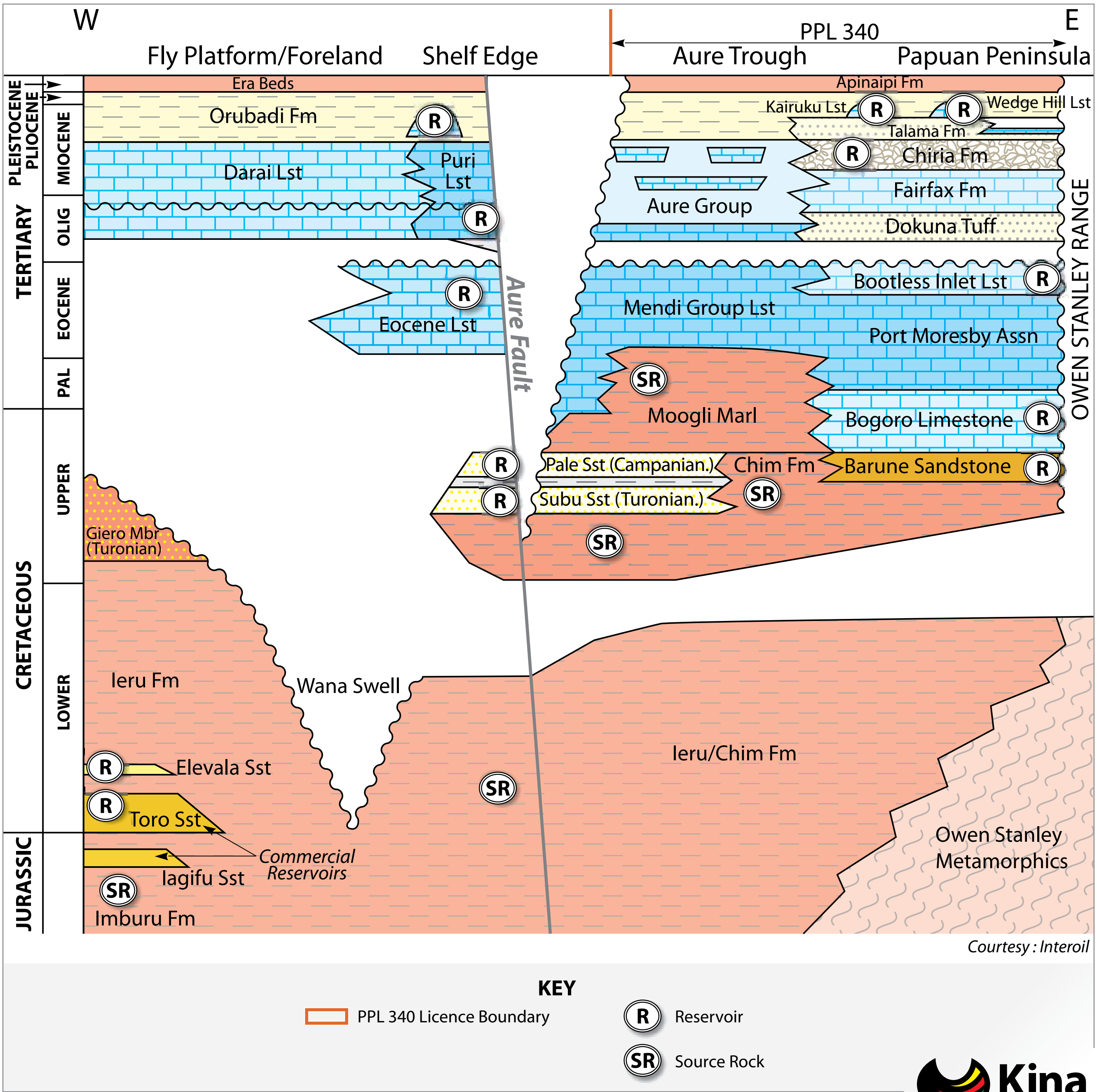


Figure 9: PRL 340 Stratigraphy showing Reservoir Targets

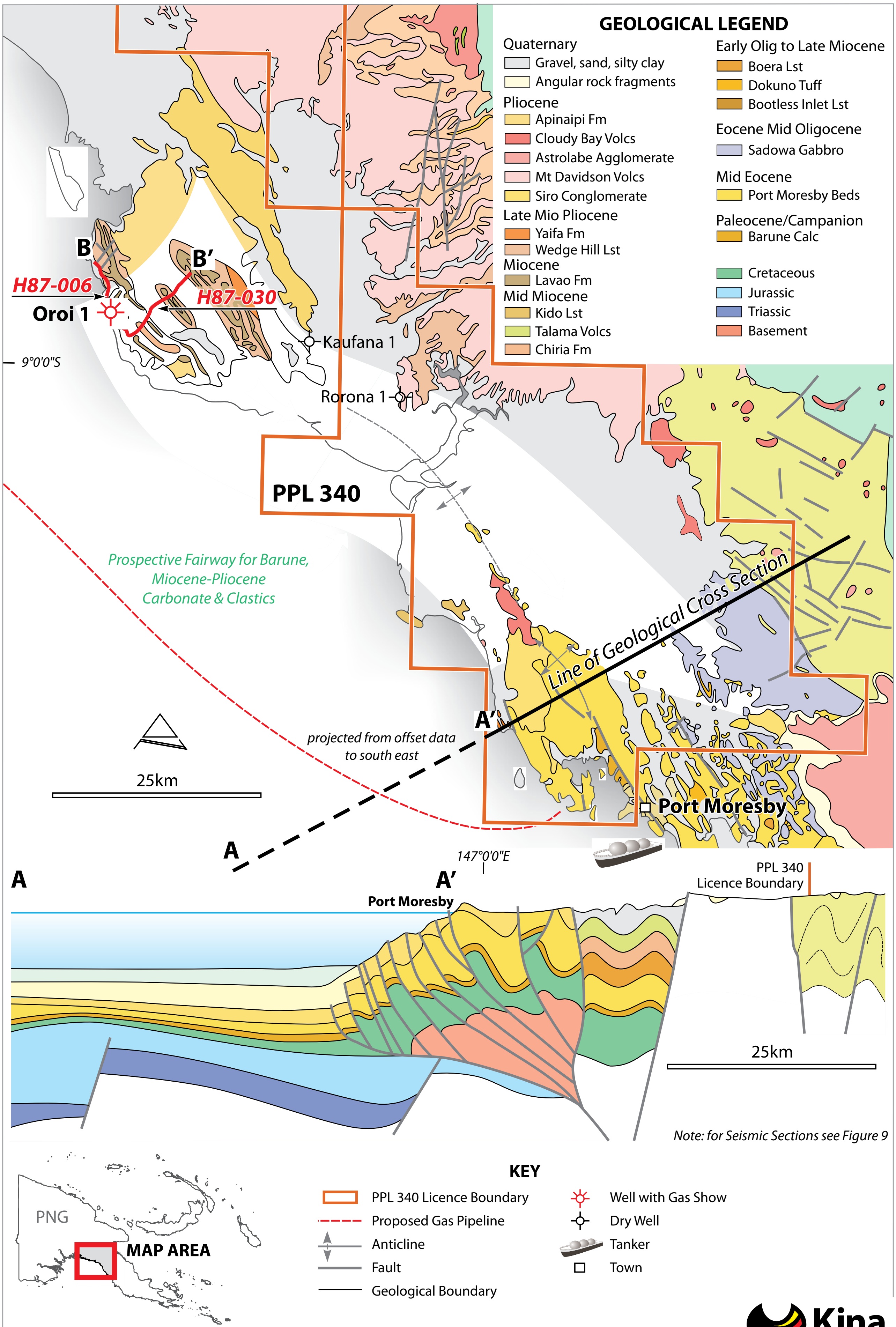
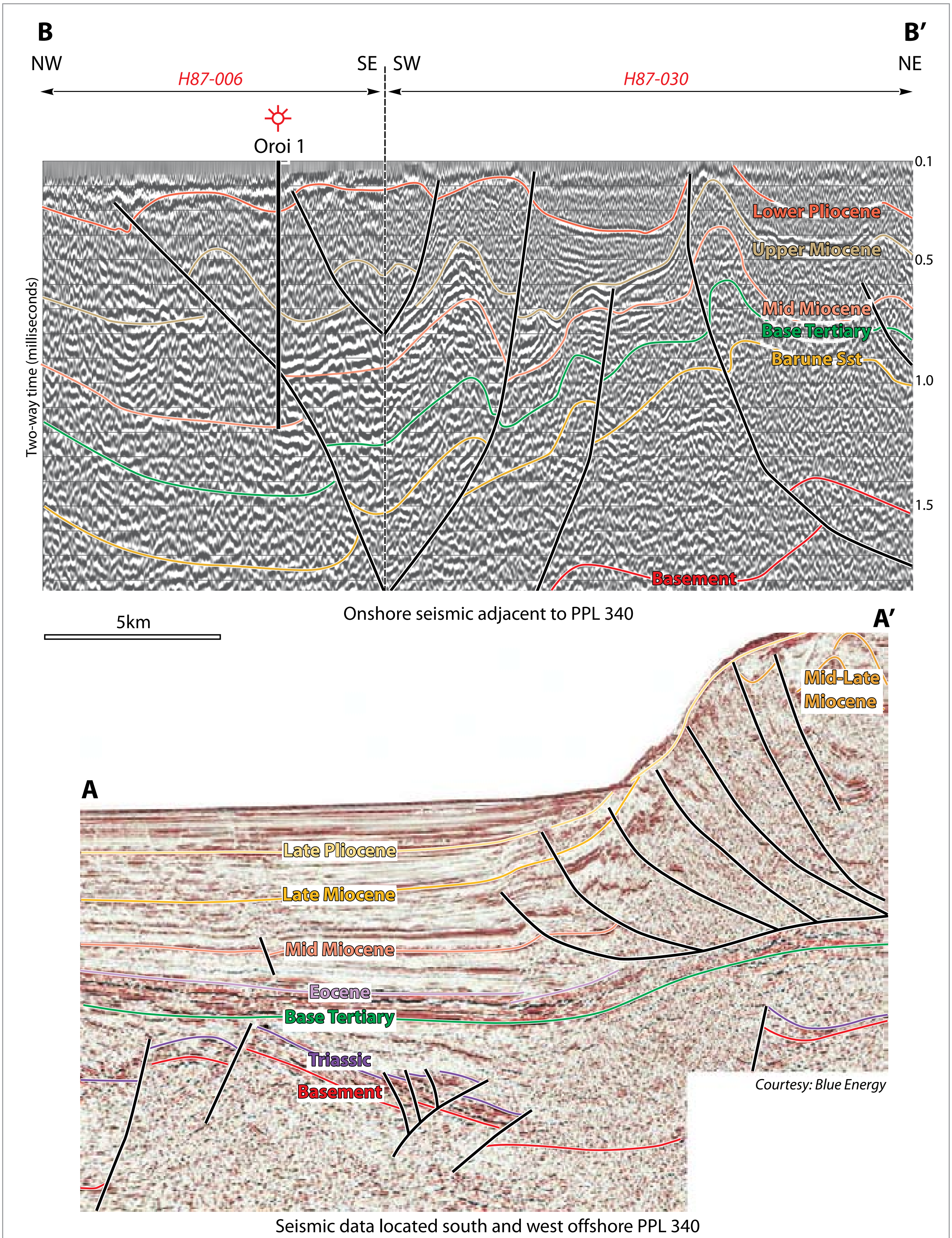


Figure 10: PRL 340 Geology including "Modelled Fairway Play Type"



KEY

- Fault
- Seismic Reflectors
- Well with Gas Show

Figure 11: PRL 340 Adjacent Seismic Data

PROPOSED WORK PROGRAM

The proposed work program includes undertaking an aeromagnetic and aerogravity survey on PPL 340, and integrating the results of these surveys with existing surveys from adjacent Licences. This initial geophysical survey is expected to define structural features that will be detailed by subsequent seismic.

6. THE NORTH NEW GUINEA BASIN

The Sepik-Ramu basins are late Oligocene-Miocene troughs overlain by the more extensive Pliocene Age NNGB. These entities developed along the northern margins of the Australian continent in the late Cretaceous and are related to the spreading of the Coral Sea. They are extensional foreland basins with thick Miocene sediments unconformably overlying Melansian basement rocks. Pliocene and Pleistocene clastic sediments unconformably overlie the Miocene. Gravity data indicate up to 10,000 meters of Miocene to Pleistocene sediments in the Ramu Basin. Plate collision from the late Pleistocene has resulted in the initial graben structure modified by lateral compression. Down to the basin faults have reversed their throw with thrusting to the west and the formation of large detached structures. Lateral wrench fault movement has also been responsible for structural development.

The NNGB of which the Ramu Basin is a sub-basin has experienced minimal exploration coverage. From 1910 when oil seeps were discovered only 21 wells have been drilled in the NNGB of which 9 were exploratory and the remaining 12 wells stratigraphic. There has been 3,300 kms of seismic acquired in the NNGB. Gravity and magnetic data is comprehensive over the Ramu Basin. However, only 5 wells have been drilled in the Ramu. Gravity data shows that these wells were drilled on basement highs and are located to the north of PPL 337.

a) Structure

The NW-SE trend of structural features in the Ramu Basin parallels the orientation of the major wrench faults in the area of interest. The Ramu-Markham Fault Zone is a major wrench system that forms the western and south-western (SW) limit of the basin. The Gogol thrust feature controls the north-east (NE) part of the basin. This feature separates the Ramu Basin from the Adelbert Range. The north west (NW) south east (SE) trending Bewani-Torricelli Wrench Fault system and its extension as a down to the NE normal fault system is the northern boundary of the Ramu Basin (Fig 12).

The Bouger gravity map illustrates the NW-SE grain of structure in the Ramu Basin. The Tsumba #1, Keram #1, Angoram #1, Narum#1 and the Marienberg #1 wells were all drilled on basement highs. The Banam Anticline, the major prospect in PPL 337 is developed on the most prominent anomaly in the basin. The feature is a detached structure that has involved the displacement of basement.

b) Stratigraphy

Limited well control and the variability of the sedimentary section in the Ramu Basin make for difficulty in regional correlation. Interpretation of gravity and magnetic data indicate over 10,000 meters of sediments in the basin. Tsumba#1 located 100 kms north of PPL 337 is the deepest well drilled in the basin. This well was drilled in 1984 and bottomed in basement at 2,830 meters. The Keram #1 well located 55 kms NW of Tsumba encountered basement at 1,995 meters. The stratigraphic section in both wells is represented by early to late Miocene sediments unconformably overlain by Pliocene and Pleistocene section. Most of the increment in thickness in the Tsumba well is in the Miocene section. Towards the centre of the basin, the Pliocene-Pleistocene section thickness considerably to up to 6,000 meters.

The stratigraphic section encountered in Keram #1 is representative of the stratigraphy that may be encountered in the Banam Anticline (Fig 13). This feature will be the first well drilled during the current term of the licence. The Angang Formation is a basal sandstone that lies unconformably on the gabbro basement in Keram#1. Overlying the Angang in ascending order are the Yamon Formation, Buten Beds and the Tipsit unit of the Gowop Limestone. The Tipsit consists of dark grey to black calcareous shales interbedded with quartz sandstones and white formaniferal micritic carbonate. Higher in this section, the carbonate increases at the expense of sandstone. These sediments grade upwards into the Gowop Limestone which is a white to grey biomicrite with planktonic and benthic formanifera. This carbonate represents a fore reef facies that is developed seawards to the SW of a platform carbonate with reef buildups. The Korogopa Beds overlie the Gowop Limestone. These sediments consist of grey calcareous shales with argillaceous limestone interbeds. They represent a sequence deposited in deep water neritic conditions. Seismic data indicate that these sediments onlap the underlying Gowop Limestone and in outcrop are equivalent to the Gowop. An unconformity probably separates both these carbonate units. A major break in sedimentation occurred at the end of the Miocene. The overlying Plio-Pleistocene section is represented by the Wewak Beds and the Lower Pleistocene/ Holocene Wasera Beds. These sediments are a regressive clastic sequence. Most of the fill in the deep Ramu Basin consists of these sediments.

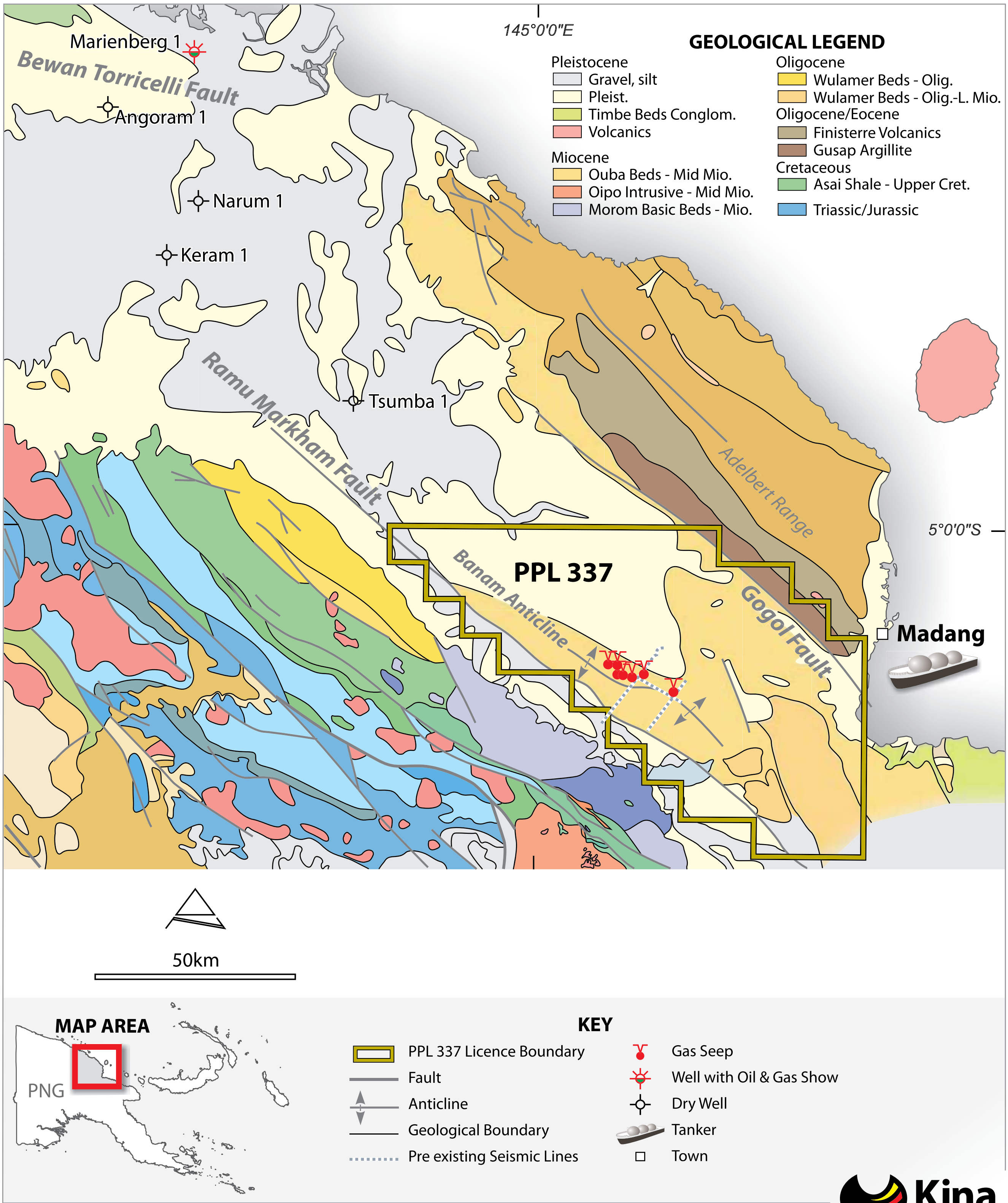


Figure 12: PRL 337 Structural Setting

c) Petroleum System

Between 1924 and 1932, nine wells (the deepest 234 meters) were drilled to investigate the oil seeps at Matapau which is located on the coast 177 kms NW of Keram #1. API oil of 35 to 43 gravity was recovered from breccia zones in a faulted basement. The Marienberg #1 well was drilled to the depth of 825 meters between 1925 to 1928. Numerous gas shows were encountered in the Pliocene section and the wellhead is still leaking gas today. Shows up to C4 were encountered in the Pliocene section of the Keram #1 well. These hydrocarbons were generated in the deeper parts of the basin. The Banam Anticline is the locus of biogenic gas seeps which have been sourced from Pliocene lignitic siltstones and mudstones. Analysis of the Miocene/Pliocene section in the wells drilled to the north of PPL 337 indicate that potential source at these locations was immature. However, if the geothermal gradient in the Keram #1 well is representative of the gradient in the Ramu Basin, then the top of the gas window is estimated at 6 kms. Generation commenced in the late Pliocene and continues today. Lignites in the Miocene/Pliocene have the potential to be a gas source with condensate.

Good reservoir has been encountered in Miocene and Pliocene section in wells drilled to the north of PPL337. Porosity is developed in both carbonate and clastic section. The Tsumba#1 well penetrated 190 meters of clean sands with porosity ranging from 24% to 30%. Seal is provided on this excellent reservoir sequence with up to 2kms of Miocene and Pliocene clastics. The stratigraphic section has good reservoir, seal and potential source rocks in the deeper parts of the basin. Biogenic gas is currently being generated in the Ramu Basin.

d) Prospects, Leads and Play Concepts PPL 337

The Banam Anticline is a prominent structural feature developed in the SE end of the Ramu Basin. It has surface expression and has been defined by 51.75 kms of seismic, air photo and surface mapping. The only seismic line that crosses the feature illustrates the thrust geometry of the structure (Fig 14). The anticline has more than 50,000 acres (20,235 hectares) of closure and has numerous gas seeps that have been sourced from Pliocene lignitic siltstones and mudstones. It is located about 50 kms from the port of Madang and remains one of the largest undrilled prospects in PNG. Road access to the structure from the port is good.

A structural feature that is 25 kms long and 8 kms wide with 50,000 acres of closure has a large resource potential. Simulation of reservoir variables based on the Miocene section in the Tsumba#1 well and the aerial extent of the structure gives the following estimates of resources and their probability of occurrence.

Table 6.1 Banam Anticline Prospective Resource *

OGIP (TCF)	PROBABILITY
43.24	10%
30.50	50%
19.79	90%

** Represents the estimated quantities of petroleum that may potentially be in place and any recovery is dependent on the application of future development relate to undiscovered accumulations. These estimates have both an associate chance of discovery and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*

To the NE of the Banam Anticline, two structural leads are indicated from air photo interpretation. The features are probably developed adjacent to wrench faults and have similar thrust geometry as the Banam Anticline. There is potential for further closure being developed to the NW on the Banam structure. Additional seismic is required to define these features.

In the period from the early 1970's to the 1990's, 4 wells were drilled to the NW of PPL 337 with Miocene carbonates as the primary objective. Reef section with good porosity was encountered in one well; a fore reef sequence with reservoir potential was present in another well; the carbonate section was absent through erosion in another well and the 4th well intersected a reduced 6 meter thick non reef carbonate section. Gas shows were also encountered in the wells but low thermal gradient and immature source rock precluded the migration of economic hydrocarbons in the relative shallow section. However, The Miocene reef play is a valid objective in PPL337 in deeper parts of the Ramu Basin. Its analogy is with the productive Miocene reefs in West Papua.

PROPOSED WORK PROGRAM

Kina intends to reprocess existing seismic data and acquire additional seismic on the Banam Anticline prospect. This structure has 1 seismic line crossing the feature and requires additional control before an optimum drilling location can be defined. The Company intends to farmout a participating interest in the licence for the seismic and subsequent drilling commitments.

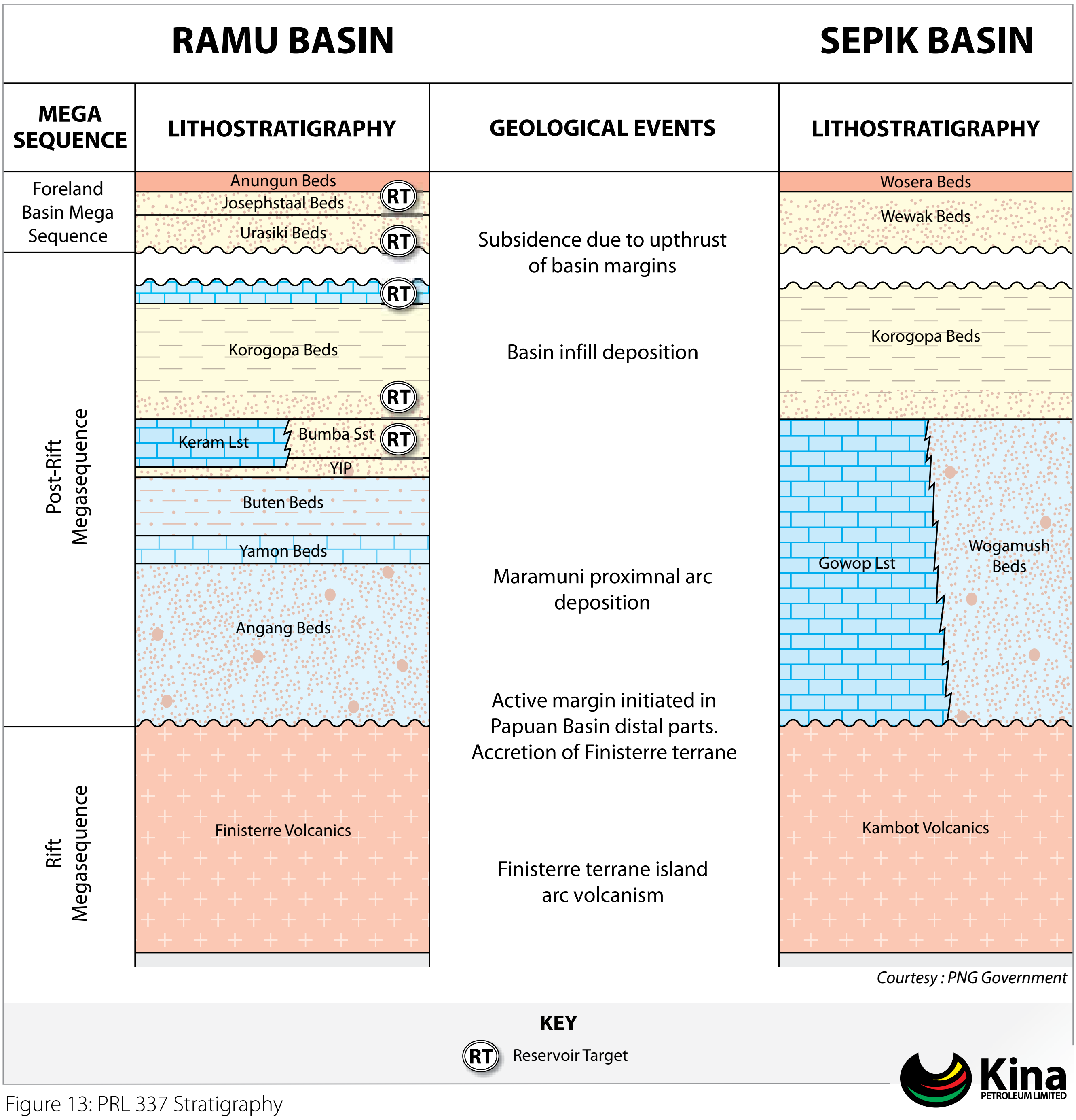


Figure 13: PRL 337 Stratigraphy

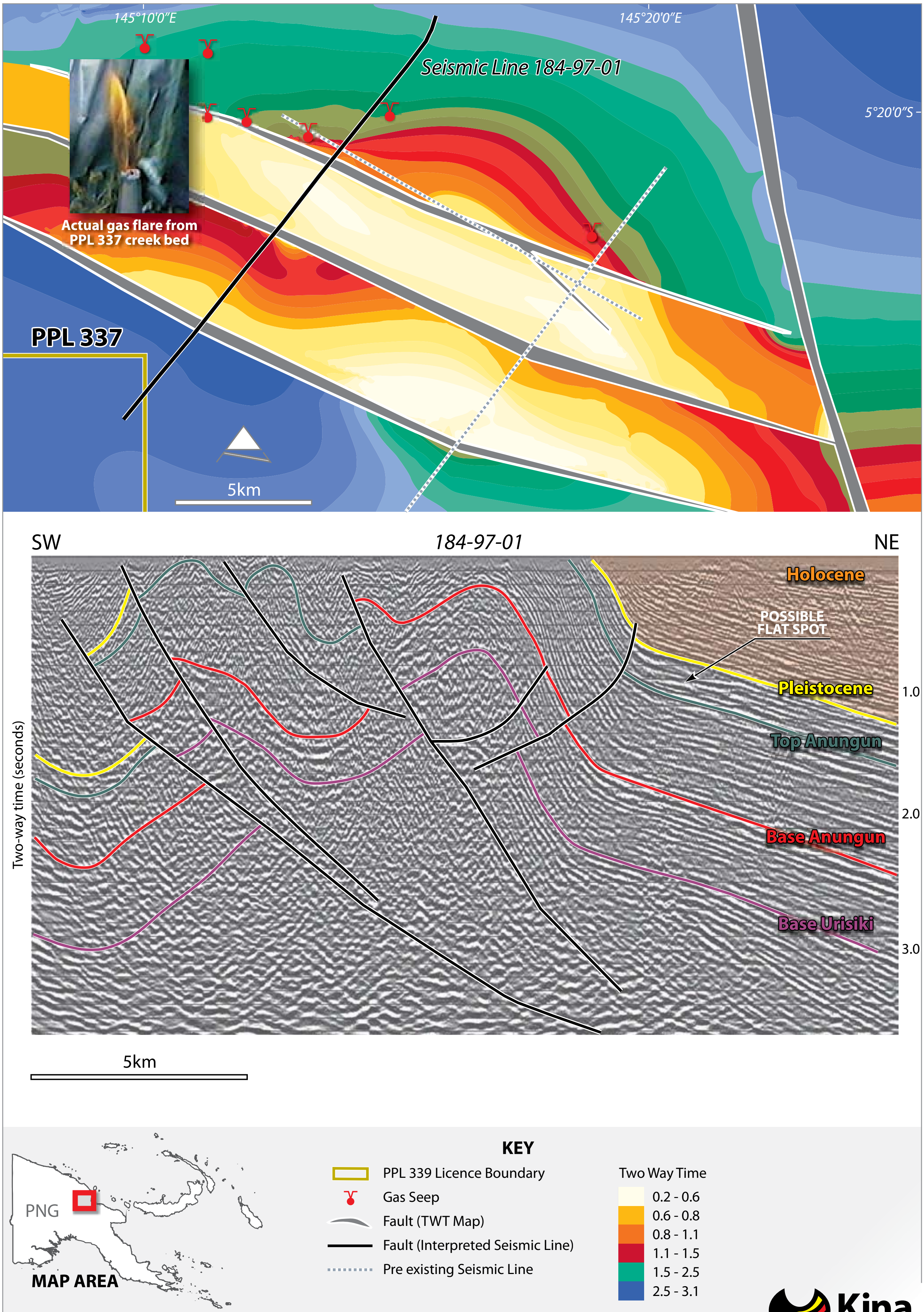


Figure 14: PRL 337 TWT and Seismic Line 184-97-03

7) DECLARATION AND QUALIFICATIONS

GCR is an independent advisory firm that has offered services to industry, governments and private clients since 1977. GCR holds an Australian Financial Services Licence (No 246589) and Nicholas Papalia, the author of the report, is an authorised representative of GCR. Nicholas Papalia has 47 years of international experience in the upstream end of the oil business and the securities industry. He holds a Bachelor of Science degree from the University of Sydney and a Master of Commerce degree from the University of New South Wales. Nicholas Papalia is a member of the Canadian Society of Petroleum Geologists and the Petroleum Exploration Society of Australia. Nicholas Papalia and GCR have no interest in Kina's PPLs or in the securities of Kina and its joint venture associates. The remuneration for this report to be paid by the Company is not contingent on any outcome of our review. GCR has been engaged as a consultant to the Company to produce this Independent Technical Report for the purposes of inclusion in a prospectus.

GCR has consented for the distribution of this report in the form and context in which it appears.

Yours sincerely,

Nicholas Papalia
Director

8) GLOSSARY OF TERMS

"AOF" means absolute open flow

"AAPG" means the American Association of Petroleum Geologists

"anticline" means a convex upward fold in rocks

"basin" means a depocentre for sediments

"bbl" means a barrel- a measure of volume equal to 42 US gallons

"bcf" means a billion cubic feet (10^9)

"bwpd" means barrels of water per day

"Cretaceous" means a period of geological time about 65 to 141 million years ago

"CGG" means Compagnie Generale de Geophysique who provide seismographic services and equipment to the oil and natural gas industry

"DST" means drill stem test

"fault" means a displacement of rocks whereby rocks have moved relative to each other

"fold belt" means a province where rocks have been folded

"foreland" means a structural province in front of a fold belt

"GCR" means Global Capital Resources Pty Ltd ACN 001 626 491

"graben" means a region of sedimentary section that is laterally bound by down to the basin faults

"Holocene" means a period of geological time from present day to 2 million years ago

"Jurassic" means a period of geological time about 141 to 205 million years ago

"Kina" means Kina Petroleum Limited

"lead" means a potential hydrocarbon trap outlined by limited seismic and geological data

"m" means a meter

"md" means a millidarcy- a measure of permeability

"Mesozoic" means a period of geological time between 65 and 250 million years ago

"Miocene" means a period of geological time between 5 and 25 million years ago

"mmbbls" means a million barrels
"mmscfd" means a million standard cubic feet- a measure of the productive capacity of a gas reservoir

"OGIP" means Oil and Gas In Place

"OSH" means Oil Search Limited

"petroleum system" means a set of geological conditions that facilitate petroleum accumulations

"permeability" means a measure of the capacity of a rock to allow the passage of fluids.

"Pliocene" means a period of geological time between 2 and 5 million years ago

“PNG” means the Independent State of Papua New Guinea

“porosity” means pore space between in a rock expressed as a percentage

“PPL” means petroleum prospecting licence

“PRL” means a petroleum retention license

“prospect” means an undrilled trap outlined with adequate geological and geophysical control

“prospective resource” means those quantities of petroleum estimated as at a given date, to be potentially recovered from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development.

“psi” means pounds per square inch

“reservoir” means a porous rock capable of containing hydrocarbons

“seal” means an impermeable rock that prevents the passage of hydrocarbons

“sq kms” means square kilometres

“SPE” means the Society of Petroleum Engineers

“SPEE” means the Society of Petroleum Evaluation Engineers

“TCF” means a trillion cubic feet (10^12)

“TD” means total depth

“Tertiary” means a period of geological time between 1 and 65 million years ago

“Triassic” means a period of geological time between 205 and 251 million years ago

“unconformity” means an absence of parallelism between juxtaposed rocks caused by uplift, erosion or a break in sedimentation

“wet gas” means a gas rich in liquids that condense from the gas stream with declining pressure and temperature

“WPC” means the World Petroleum Council

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2 November 2011

The Directors
Kina Petroleum Limited
C/- Level 5, 56 Pitt Street
Sydney NSW 2000

Dear Sirs,

Re: Investigating Accountant's Report on Historical and Pro forma Financial Information

We have prepared this Investigating Accountant's Report (report) at the request of the Directors of Kina Petroleum Limited ("Kina" or the "Company") for inclusion in a Prospectus relating to the proposed issue by the Company of up to 62,500,000 shares at an issue price of $0.20 each to raise up to $12,500,000 before the costs of the issue, with a 1:3 attaching option with an exercise price of $0.20 and exercise period of one year from date of issue ("the Prospectus"). The minimum amount of the Offer under the Prospectus is $9,000,000 which would comprise the issue of 45,000,000 shares at an issue price of $0.20 each.

Expressions defined in the Prospectus have the same meaning in this report.

Hall Chadwick Corporate (NSW) Limited holds an Australian Financial Services License (No. 227902) issued by the Australian Securities and Investments Commission for use in providing financial product advice, including Investigating Accountant's reports.

Basis of Preparation

This report has been prepared to provide investors with information on the Historical and Pro forma Financial Information as detailed in the Scope below. The Historical and Pro forma Financial Information is presented in an abbreviated form in this report and does not include all of the disclosures required by Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

This report does not address the rights attaching to the shares to be issued in accordance with the Prospectus, nor the risks associated with the investment, and has been prepared based on the Offer being achieved. Hall Chadwick Corporate (NSW) Limited has not been requested to consider the prospects for the Company, the shares on offer and related pricing issues, nor the merits and risks associated with becoming a shareholder and accordingly, has not done so. Hall Chadwick Corporate (NSW) Limited takes no responsibility for these matters or for any matter or omission in the Prospectus, other than responsibility for this report.

Background

Kina is a Papua New Guinea (PNG) registered company established in 2008 to hold oil and gas exploration and production assets in PNG.

The Company has accumulated in excess of 21,000 km2 of potential oil and gas exploration areas, a large proportion of which is close to existing infrastructure in a country that has an established oil and gas industry with attractive fiscal operating conditions.

Kina is the owner of four petroleum prospecting licenses ("PPL"), PPL 337, PPL 338, PPL 339 & PPL 340 located within a proven petroleum basin, the Papuan Basin, and the North New Guinea Basin in Papua New Guinea.

Kina was also awarded a 20% participating interest in Petroleum Retention License ("PRL") 21. PRL 21 encompasses two wet gas discoveries (Elevala and Ketu) which were discovered by British Petroleum Development Ltd (BP) in the early 1990's. The Company's Joint Venture Partners in PRL 21 are Horizon Oil (Papua) Limited and Talisman Energy Niugini Limited.

The Company has entered into an agreement for the sale of a 5% interest in PRL 21 as detailed in section 11.3.3 of the Prospectus.

In addition the Company's Farm In Partner in PPL 338 and 339 is Oil Search (PNG) Ltd a partner that Kina considers has the technical expertise, local experience and financial capacity to co-develop and explore these two prospects.

The amount of funds to be raised by this Offer is $12,500,000. The Company's main objectives in raising funds include:

- funding the exploration and development of the Company's existing projects;
- paying all costs associated with the Offer;
- providing working capital for the Company; and
- funding the review and assessment of additional oil and gas related acquisition opportunities in Papua New Guinea and surrounding regions.

Potential investors should read the Prospectus in full. We make no comments as to the value of the current and proposed activities of the Company.

Scope

You have requested Hall Chadwick Corporate (NSW) Ltd. to prepare an Investigating Accountant's Report covering the Historical Consolidated Balance Sheet as at 31 May 2011 and Pro forma Balance Sheet as at that date adjusted for the effects of the Offer and material events occurring subsequent to 31 May 2011.

Scope of review of Historical and Pro forma Financial Information

The Historical Financial Information set out in this report has been extracted from the historical consolidated financial statements of the Company, which have not been subject to any form of audit or review.

The Directors are responsible for the preparation and presentation of the Historical and Pro forma Financial Information, including determination of the pro forma adjustments.

The Pro forma Consolidated Balance Sheet incorporates:

(i) the Historical Consolidated Balance Sheet of Kina at 31 May 2011;
(ii) the proceeds of this Offer and related costs;
(iii) the issue of options to directors and management; and
(iv) other material events that have occurred subsequent to 31 May 2011.

We have conducted our review of the Historical and Pro forma Financial Information in accordance with Australian Auditing and Assurance Standard ASRE 2405 "Review of Historical Financial Information Other than a Financial Report".

We made such enquiries and performed such procedures as we, in our professional judgement considered reasonable in the circumstances including:

- Enquiry of Directors, management and others;
- Review of the assumptions used to compile the pro forma Balance Sheet;
- Review of available financial information; and
- Review of work papers, accounting records and other documents.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement on historical information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Historical and Pro forma Financial Information, as set out in this report:

(a) does not fairly represent the Historical Consolidated Balance Sheet as at 31 May 2011 and Pro forma Consolidated Balance Sheet adjusted for the effects of the Offer and material events occurring subsequent to 31 May 2011;

(b) has not been prepared in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) prescribed in the Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

Subsequent events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

Independence

Hall Chadwick Corporate (NSW) Limited does not have any interest in the outcome of this issue other than in its capacity as Investigating Accountant for which normal professional fees will be received. Hall Chadwick Corporate (NSW) Limited does not hold nor have any interest in the ordinary shares of the Company.

Hall Chadwick Corporate (NSW) Limited was not involved in the preparation of any other part of the Prospectus, and accordingly, makes no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus.

Hall Chadwick Corporate (NSW) Limited consents to the inclusion of this report in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully

Drew Townsend **David Kenney**
Directors
HALL CHADWICK CORPORATE (NSW) LIMITED

Financial Information

As at 31 May 2011 the consolidated group comprises Kina Petroleum Limited and Kina Oil and Gas Pty Limited ("Kina Oil and Gas"). Kina acquired 100% of Kina Oil and Gas in May 2011 through the issue of 10,035,801 shares in Kina.

Set out in the table below is the Historical Consolidated Balance Sheet for Kina as at 31 May 2011 and the Pro Forma Consolidated Balance Sheet for Kina assuming completion of the Offer as disclosed in the Prospectus and other material events that have occurred or are expected to occur subsequent to 31 May 2011. This information should be read in conjunction with the information provided elsewhere in this Prospectus. The financial information presented below has been prepared on the assumption that maximum Applications totalling $12,500,000 as detailed in this prospectus will be received, less the costs of the Offer totalling $800,000.

A Profit and Loss Statement or Cash Flow Statement has not been included as the Company has only commenced trading and in the period to 31 May 2011 only incurred $25,744 in legal and administrative expenses, which is shown as accumulated losses in the Pro forma Historical Consolidated Balance Sheet below. Prior to its acquisition by Kina, Kina Oil and Gas incurred losses totalling $221,351. As these are pre-acquisition losses they have been eliminated on consolidation as at 31 May 2011.

	Historical Consolidated Balance Sheet 31 May 2011 (1) KINA	Historical Consolidated Balance Sheet 31 May 2011 (2) AUD	Pro-Forma Consolidated Balance Sheet (3), (4) AUD
Current Assets			
Cash assets (5)	1,656,462	614,713	11,913,346
Receivables	315	117	117
	1,656,777	614,830	11,913,463
Non Current Assets			
Exploration and development (6)	1,506,575	559,090	724,124
	1,506,575	559,090	724,124
Total Assets	**3,163,352**	**1,173,920**	**12,637,587**
Current Liabilities			
Trade Creditors	124,858	46,335	46,335
	124,858	46,335	46,335
Total Liabilities	**124,858**	**46,335**	**46,335**
Net Assets	**3,038,494**	**1,127,585**	**12,591,252**
Equity			
Issued capital	3,107,866	1,153,329	12,883,329
Options Reserve	-	-	1,021,969
Accumulated losses	(69,372)	(25,744)	(1,314,046)
Total Equity	**3,038,494**	**1,127,585**	**12,591,252**

Notes:

1. Column 1 represents the Historical Consolidated Balance Sheet of Kina as at 31 May 2011 in Kina, the currency of PNG.

2. Column 2 represents the Historical Consolidated Balance Sheet of Kina as at 31 May 2011 in Australian dollars, converted at an exchange rate of Kina 2.69: AUD 1.

3. Column 3 represents the Pro forma Consolidated Balance Sheet of Kina assuming the maximum raise from the Offer of $12,500,000 less estimated costs of capital raising to be satisfied in cash of $800,000. Costs of the Offer have been allocated as $770,000 to contributed equity relating to the issue of shares and $30,000 to retained profits relating to the listing of the Company.

   In the event the Company only raises the Minimum Subscription of $9,000,000, the Company will look to obtain debt or other forms of financing or potentially undertake a farmout or sell down a part interest in PRL 21, PPL 340 or PPL 337 to meet its expenditure commitments associated with its projects.

4. Other pro forma adjustments included in Column 3 to account for material events occurring subsequent to 31 May 2011 include:

   a) Professional fees of $236,333 and capitalised exploration and development costs of $165,034 paid between 1 June 2011 and 30 September 2011.

   b) The issue of the following options to directors and management, the terms of which were agreed to towards the end of 2010. Please refer to Section 11 of the Prospectus for the complete terms and conditions associated these options.

      9,750,000 options exercisable at $0.20 each on or before 31 October 2013, with 4,875,000 vesting from the date of issue of the options, and 4,875,000 vesting conditional on the Option Holder remaining employed by the Company for a period of two years.

      5,000,000 options exercisable at $0.20 each on or before 31 December 2013, vesting two years from the date of the Company listing on the ASX.

      500,000 options exercisable at $0.20 each on or before 31 December 2013, vesting in three equal tranches over three years if the Option Holder remains employed by the Company.

      These options have been valued at $1,021,969. The effect is to increase reserves and decrease retained earnings by this amount as it represents share based payments to be expensed over their relevant vesting periods, being:

FY2012	$678,055
FY2013	$340,191
FY2014	$3,723

5. Cash assets comprise the following:

	AUD
Cash balance acquired from Kina Oil and Gas	641,672
Funds received from Farm In Partner	197,920
Payments to suppliers	(25,744)
Payments for Exploration Expenditure	(199,135)
Cash assets as at 31 May 2011	**614,713**
Payments for Exploration Expenditure post 31 May 2011	(165,034)
Professional fees incurred post 31 May 2011	(236,333)
Offer proceeds	12,500,000
Offer costs	(800,000)
Cash as per pro forma balance sheet	**11,913,346**

6. Exploration and development costs capitalised comprise the following

	AUD
Payments for Exploration Expenditure	364,169
Creditors	46,335
Debtors	(117)
Payments made by Kina Oil and Gas prior to acquisition	140,557
Exploration Expenditure paid by the issue of shares	371,100
Funds received from Farm In Partner	(197,920)
Exploration and development costs capitalised	724,124

The sell down of the Company's 5% interest in PRL 21 is adequate to fund all of Kina's share of expenses to-date that will crystallise on entering into the Joint Operating Agreement for PRL 21 as detailed in section 11.3.3, provided that Ministerial approval for the sell down is obtained, except for US$600,000 which the Company has obtained agreement from its joint venture partners to defer payment until the earlier of 31 January 2012 or raising sufficient funds under the Offer. The Directors believe that Ministerial approval will not be withheld or delayed.

Statement of Significant Accounting Policies

The financial information includes the economic entity of Kina Petroleum Limited, a company limited by shares, incorporated and domiciled in PNG whose shares are not currently publicly traded.

The following is a summary of the material accounting policies adopted by Kina Petroleum Limited in the preparation of the financial information. The accounting policies have been consistently applied, unless otherwise stated.

The principal accounting policies adopted in the preparation of the historical and pro-forma financial information (collectively referred to as the "financial statements") are set out below. The financial statements are for the consolidated entity consisting of Kina Petroleum Limited and its subsidiaries.

The financial statements have been presented in both Kina and Australian currency.

The Company has confirmed that the accounting standards applicable to companies in Papua New Guinea, being those adopted by the Company for the preparation of the Historical Financial Information, are consistent with International Financial Reporting Standards ("IFRS").

a. 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 power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated Balance Sheet. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

b. Income Tax

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

Current income tax expense charged to the 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 unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained 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 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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred 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 it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. Costs of Mineral Assets, Exploration and Development Expenditure

Costs of Mineral Assets, exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated cost for the relevant area of interest is amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

d. Impairment of Assets

At each the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

e. Intangibles
Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;
(ii) any non-controlling interest; and
(iii) the acquisition date fair value of any previously held equity interest,
over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). The Group determines which method to adopt for each acquisition.

Under the full goodwill method, the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

f. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

g. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST)

h. Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid.

i. 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 from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

10. INDEPENDENT SOLICITORS REPORT ON TENEMENTS

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Our reference Tran-SEC 110225/SSK
Partner responsible Steven Kami/Robert Riddell

31 October 2011
The Directors
Kina Petroleum Limited
c/- Dabill Management Ltd
Portion 359
Schratchley Road
Badili
National Capital District
Papua New Guinea

Dear Sirs

Legal report on petroleum licenses in PNG

This legal opinion is dated 31 October 2011 (***Opinion***) and was prepared for Kina Petroleum Limited (the ***Company***) and the due diligence committee established in connection with the preparation of and to the issue and publication of the Prospectus (Prospectus) of Kina Petroleum Limited (***Company***) relating to the proposed offer in Australia and Papua New Guinea of up to 62,500,000 fully paid ordinary shares at an offer price of A$0.20 to raise A$12,500,000 together with one attaching option exercisable at $0.20 and with an expiry date of 30 November 2012 for every three shares subscribed. Kina will be seeking a listing of its Shares and Options on both the Australian Securities Exchange and Port Moresby Stock Exchange.

1. Scope of Opinion

We have been asked to:

(a) advise on the petroleum legal framework in Papua New Guinea (***PNG***)

(b) advise on the status of the Company's petroleum licenses (***licenses***) in PNG

(c) advise on the grant period and the renewal conditions of petroleum prospecting licences (***PPLs***) and petroleum retention licences (***PRLs***)

(d) advise on any access arrangements in favour of the respective holders of the licenses

(e) consider and advise on the effect of any claims that have been or may be made in respect of the licenses by project area landowners

(f) consider and advise upon the requirements for ministerial consent to the transfer of licenses or interests affecting licenses under the provisions of the Oil and Gas Act 1998 (PNG) (the ***Oil and Gas Act***)

(g) advise on events that give rise to relinquishment or termination of PPLs or PRLs

(h) consider and advise on the legislative background and the status of environmental regulatory matters

This Opinion:

(a) relates only to the laws of PNG and is given on the basis of the laws of PNG that currently apply; and
(b) is governed by the laws of PNG and shall be construed only in accordance with PNG law.

We express no opinion about the laws of any other jurisdiction other than PNG or factual matters.

2. Licenses and applications

The relevant licenses granted under the Oil and Gas Act are:

- petroleum prospecting licence number 337 ***(PPL 337)***
- petroleum prospecting licence number 338 ***(PPL 338)***
- petroleum prospecting licence number 339 ***(PPL 339)***
- petroleum prospecting licence number 340 ***(PPL 340)***
- petroleum retention licence number 21 ***(PRL 21)***

3. Assumptions and qualifications

3.1 Assumptions

For the purposes of our Opinion, we have assumed that:

(a) the entries in the Petroleum Licenses and Dealings Register (the ***Register***) maintained by the Petroleum Licenses Registrar (the ***Registrar***) at the Department of Petroleum and Energy (the ***Department***) concerning each of the licenses are correct, complete and up to date;

(b) the entries of the environmental register (the ***Environmental Register***) kept by the Director under the Environment Act 2000 (***PNG***) at the Department of Environment and Conservation (***DEC***) are correct, complete and up to date;

(c) the entries in the Registers referred to in paragraphs (a) and (b) were validly authorised and entered and accurately reflect the status of each tenement and also constitute valid and binding obligations of each registered tenement holder under all applicable laws and are not voidable, and there are no breaches thereof;

(d) there have not been any changes to the terms and conditions for each license since 28th October 2011;

(e) the facts and circumstances represented to us by all parties in connection with the drafting of the Opinion are true and correct and were not false or misleading in the form or context in which they were represented to us;

(f) all seals and signatures and any duty, stamp or marking are authentic;

(g) all copies of documents submitted to us are complete and conform to the originals of those documents;

(h) no person has been, or will be, engaged in conduct which is misleading or deceptive or likely to mislead or deceive; and

nothing has come to our attention to cause us to believe the above assumptions are not correct.

3.2 Qualifications

Our Opinion is based on the status of:

(a) the licenses as per the records in the Register maintained by the Registrar at the Department; and

(b) the records maintained by the Environment Register as kept by the Director under the Environment Act at the DEC.

However, such records may not be up to date because, historically, documents in the registries or offices referred to in 3.2(a) and (b) above have not been properly kept or filed, because of inadvertent misplacement or misfiling of documents or files, which makes it difficult to be definitive about whether or not documents have in fact been filed and registered. We are not aware of any issues regarding the licenses.

4. Petroleum – the legal framework

4.1 Introduction

(a) All petroleum and helium at or below the surface of all land in PNG is deemed at all times by section 6 of the Oil and Gas Act to be, in its natural condition, the property of the Independent State of Papua New Guinea (the ***State***). Consequently, exploring for and recovering petroleum and helium by a party other than the State must be sanctioned under the Oil and Gas Act's licensing regime.

(b) The Oil and Gas Act and the Oil and Gas Regulation 2001 (***Oil and Gas Regulation***) provide the legal framework that governs applications for and the issue of petroleum licenses in respect of exploration for, and recovery of, oil and gas in PNG. Five types of petroleum licenses are able to be granted under the Oil and Gas Act. In addition to PPLs and PRLs, applicants can also apply for petroleum development licences (***PDLs***), petroleum processing facility licences and pipeline licences.

(c) The Minister for Petroleum (***Minister***) has the power to grant, extend or cancel a petroleum tenement. However, the Minister is obliged to serve on the registered holder(s) of a petroleum tenement a direction specifying the grounds on which the petroleum is liable to be cancelled and indicating a specific period during which the default may be cured. The powers of the Minister are exercisable only in accordance with the powers conferred on the Minister in the Oil and Gas Act. A petroleum tenement, granted under the Oil and Gas Act, is deemed a requisite and sufficient authority over the land in respect of which the right to explore for or recover oil and gas is granted. However, a separate authority (environment permit) is required to divert water or carry out any of the "environmental activities" prescribed by the ***Environmental (Prescribed Activities)*** Regulation. Environmental issues are discussed in more detail in Part 8 below.

4.2 PPLs

(a) A PPL confers on the Licencee, subject to the Oil and Gas Act and the conditions of the PPL, "…the exclusive right to explore for petroleum and to carry out appraisal of a petroleum discovery, and to carry on such operations and execute such works as are necessary for those purposes, in the licence area…". The "works" may include the construction and operation of water lines and the completion of wells, the conduct of drill stem or extended production tests for appraisal of a petroleum pool, and the recovery, sale or other disposal of petroleum so produced.

(b) The grant of a PPL is subject to such conditions as the Minister thinks fit and specifies in the licence, and as specified in section 31 of the Oil and Gas Act. These include requirements that the licencee must:

(i) carry out the work and expend the amounts specified in the licence conditions during the first 2 years of the licence term;

(ii) submit acceptable proposals and expenditure to the Minister for approval in the third, fourth, fifth and sixth years of the licence term;

(iii) provide six monthly and annual reports to the Director showing the nature and results of prospecting operations and amounts expended, and otherwise comply with reporting requirements and directions given under section 148 of the Oil and Gas Act;

(iv) carry out social mapping and landowner identification studies in accordance with section 47. The effect of compensation agreements is discussed in more detail below; and

(v) provide the Director, on an ongoing basis, with all prescribed information in accordance with section 31 of the Oil and Gas Act.

(c) The Minister may also impose such additions conditions as he or she thinks fit. Additional conditions typically require the registered holder of a PPL to comply with a detailed work and expenditure program agreed upon with the Minister at the time the application for a PPL is made.

(d) Conditions may be varied at the discretion of the Minister or on application to the Minister by the registered holder of a PPL.

(e) Apart from the reporting requirements set out in a PPL and specified in section 31 of the Oil and Gas Act, the Minister or the Director may issue directions under section 148 of the Oil and Gas Act to provide further reports on the licencee's activities in the PPL. The power of the Minister and the Director includes the power to give directions on the content and frequency of such reports. Non-compliance with any direction validly issued under section 148 of the Oil and Gas Act is an offence with a maximum penalty of K5,000.

(f) A PPL is issued for an initial maximum term of up to 6 years, beginning on the day the PPL takes effect. It may be extended once for a maximum period of 5 years where the Minister is satisfied that the work and expenditure proposals will provide for satisfactory exploration of the licence area. Extension of the term of a PPL is permitted only in respect of a number of blocks that does not exceed 50% of the number of blocks in respect of which the PPL was originally issued. Any blocks of a PPL that have been declared a location cannot be included in an application to extend the term of a PPL.

(g) Where a licence holder has discovered petroleum during the period of two years before the expiry of the extended-term PPL and a location has been declared in respect of the area of the discovery, the PPL may be extended by the Minister for a period of up to 3 years in respect of the area the subject of the location declaration, subject to any conditions that the Minister, on the recommendation of the PAB thinks fit and specifies in the licence.

(h) Present PPL application fees as set out in section 157(1) of the Oil and Gas Act are:

(i) K10,000 to apply for a PPL;

(ii) K10,000 to apply to extend the term of a PPL.

(i) Fees are payable at the time the relevant application is made. The Licencee must also pay annual fees on the anniversary of the licence at the rate of K500 for each block in the licence area, which rate increases during the extended terms to a maximum of K4,000 for each block in the renewed area.

4.3 PRLs

(a) A PPL holder may, during the term of its PPL, apply for a PRL in respect of any block(s) in the PPL area:

(i) that the PPL holder satisfies the Minister contains a gas field or part of a gas field, or, for the better administration of petroleum activities should be included in a PRL and

(ii) do not at the time of the PRL application constitute a location.

(b) If one or more blocks of the PPL constitute a location, the PPL holder may apply for a PRL in respect of the blocks included in the location, within 2 years after the date the blocks were declared a location.

(c) A PRL confers upon its holder, subject to the Oil and Gas Act and to the conditions of the PRL, exclusive rights:

(i) to explore for petroleum in the PRL area;

(ii) to carry on field studies to obtain information to ensure timely economic development of the gas field in the PRL area;

(iii) to carry on such operations and execute such works in the PRL area as are necessary for or in connection with the purposes in paragraphs (i) and (ii) above, including the construction and operation of water lines; and

(iv) if authorized by the Director, to complete wells, carry out drill stem test or extended production tests for appraisal of a petroleum pool (including the construction and the operation of pipes and facilities to gather and transport petroleum to a point of testing or treatment or disposal) and to recover and sell or otherwise dispose of all petroleum so produced.

(d) A PRL remains in force for a period of 5 years, starting on the day on which it takes effect, and if extended, for a further period of 5 years at each extension. A PRL extension application may only be made twice in respect of the same PRL.

(e) The Minister is obliged to grant a PRL to a PPL holder, where the Minister:

(i) has approved the work and expenditure proposals in the PRL application

(ii) is satisfied that the recovery of petroleum from the area comprised in the PRL application:

(A) is not at the time of the application commercially viable; and

(B) could become commercially viable within the period of time ending at the expiry of the PRL if extended for the maximum permitted period (i.e. 15 year total term).

(f) The Minister cannot grant the extension of the term of a PRL unless the Minister is satisfied that:

(i) the blocks in respect of which the extension is sought contain a gas field or part of a gas field or it is appropriate for the proper administration of petroleum activities that the blocks be included in the PRL

(ii) the recovery of petroleum from the area comprised in the PRL extension application:

(A) is not at the time of the application commercially viable; and

(B) could become commercially viable within the period of time ending at the expiry of the PRL if extended for the maximum permitted term; and

(iii) the applicant's proposals adequately provide for such market and technical studies and other work as may reasonably be expected to provide sufficient information to enable the gas field to be brought to timely economic development.

(g) Present PRL application fees as set out in section 157 of the Oil and Gas Act are:

(i) K10,000 to apply for a PRL;

(ii) K10,000 to apply to extend the term of a PRL.

Fees are payable at the time the relevant application is made.

The Licencee must also pay annual fee of K30,000 on the anniversary of a PRL.

4.4 General provisions of the Oil and Gas Act applicable to PPLs and PRLs

(a) ***Variation of licence conditions*** - conditions of a PPL or PRL may be varied at the discretion of the Minister or by successful application by the Licencee to the Minister.

(b) ***Security*** - the applicant for a tenement must lodge security prior to grant of the tenement. The amount of security is determined by the Minister as what the Minister considers reasonable, but not more than K1,000,000. The security can be by cash deposit or a bond or bank guarantee can be lodged for the required amount. It is not a legal requirement for payment of security to be noted or entered on the Register.

(c) ***Access*** - the holder of a licence has rights of access in the licence area for the purpose of exercising other rights conferred by that licence, and is liable to pay compensation to the lawful owners and rightful occupiers of private land over which a licence has been granted.

(d) ***Compensation to landowners*** - Licencees are liable to pay compensation to the landowners of the licence area for:

(i) deprivation of the use and enjoyment of the surface of the land or of any rights customarily associated with it;

(ii) damage to the surface of the land or any improvements on it

(iii) damage caused to any trees, fish, animals caused by operations in the licence area; and for severance of the land from other land of any owner

(iv) severance of the land from other land of any owner or occupier

(v) rights of way or easements

(vi) any other damage caused by the Licencee's operations

(e) ***Compensation agreements*** - a Licencee may enter into a compensation agreement with the relevant landowners and occupiers, a copy of which must be lodged with the Director. If agreement on compensation cannot be reached, either party may request the Chief Warden to determine the compensation payable.

(f) ***Landowner disputes*** - any disputes arising as to the rightful owners or legal occupiers of, or persons having an interest in, customary land or any improvements on it are settled according to the provisions of the Land Settlements Act 1975.

(g) ***Additional reporting requirements*** - apart from the reporting requirements set out in a licence instrument and specified in sections 31 and 46 of the Oil and Gas Act that apply to PPLs and PRLs respectively, the Minister or Director may issue directions under section 148 of the Oil and Gas Act to provide further reports on the Licencee's activities in the licence area. The power of the Minister and the Director includes the power to give directions on the content and frequency of such reports. Non-compliance with any direction validly issued under section 148 of the Oil and Gas Act is an offence with a maximum penalty of K5,000.

(h) ***Minister's power to issue other directions*** - the Minister also has the power to issue a range of other directions under the Oil and Gas Act. For example, section 33 of the Oil and Gas Act allows the Minister to issue directions upon petroleum being discovered in a licence area. The Minister may direct the Licencee to do such things as the Minister thinks necessary, including with respect to the completion of wells, conduct of drill stem or extended production tests and recovery and disposal of all produced petroleum. The Licencee may be required to determine the chemical composition and physical properties of the petroleum and the quantity of petroleum discovered in the petroleum pool in the licence area.

The effect of a direction issued by the Minister or the Director pursuant to the Oil and Gas Act is such that, in the event of inconsistency, a direction can override the Oil and Gas Regulation.

(i) ***Surrender of a tenement*** - a tenement holder may, at any time, apply to the Minister for consent to surrender a PPL, PRL or PDL, which consent will not be granted unless the Licencee has:

  (i) complied with the licence conditions and the Oil and Gas Act;

  (ii) plugged or closed off all wells made in the licence area to the Minister's satisfaction

  (iii) removed all property brought into the area and all wastes deposoted in the area

  (iv) made provision for reclamation of sites and the conservation and protection of natural resources in the area

(j) ***Transfer of a tenement*** - subject to the licence conditions, a Licencee may transfer a licence or an interest in a licence to another party. The transfer is not enforceable at law, however, unless the transaction is documented in an instrument approved by the Minister and entered into the Register.

(k) ***Cancellation or suspension of a tenement*** - the Minister may suspend or cancel a licence (including a PPL or a PRL) if the Licencee has not, in the Minister's opinion complied with a:

  (i) licence condition

  (ii) direction given to the Licencee under the Oil and Gas Act by the Minister, the Director or an inspector

  (iii) a provision of the Oil and Gas Act

  (iv) payment requirement in the Oil and Gas Act within 3 months after the amount has become due

(l) ***Applying for a PDL*** - if a discovery of petroleum is made, PPL holders or PRL holders may apply for a PDL to produce petroleum. The initial application fee for a PDL is K50,000.

(m) ***Development levies*** - a PDL Licencee must pay development levies in accordance with section 98 of the Organic Law on Provincial Governments and Local-level Governments to the affected Provincial and Local-level Governments of a petroleum project development. Development levies are paid at the rate of 2% of the wellhead value of all petroleum produced from the licence area, calculated in the manner provided by section 158 less any deductions prescribed in the Regulations.

(n) ***State royalty*** - a tenement holder must also pay to the State royalty at the rate of 2% of the wellhead value of all petroleum produced from a licence area. Out of this State royalty the State must grant a royalty benefit to the project area landowners and affected Provincial and Local-level Governments of a petroleum project. The royalty benefit is shared between the stakeholders in proportions agreed by them in a development agreement or as determined by the Minister.

(o) ***State Back-in rights*** - PNG has the right, but not the obligations, to acquire, directly or through a nominee, up to a 22.5% participating interest in a petroleum project. The consideration payable by the State is a percentage of the unrecouped sunk costs attributable to the licence holder's interest in the project equal to the percentage participating interest in the project being acquired by the State.

(p) ***Petromin*** - the Petromin Act establishes a company called Petromin PNG Holdings Limited (***Petromin***) under the Companies Act. The Petromin Act, among other things –

  (i) permits the State to nominate Petromin as nominee of the State to acquire petroleum assets pursuant to the Oil and Gas Act;

  (ii) authorises the State to direct MRDC to transfer certain assets to Petromin; those assets are held by MRDC for and on behalf of the State; and

  (iii) authorises the State to direct the IPBC, a statutory body established pursuant to the IPBC Act, to transfer certain assets that IPBC holds on trust for and on behalf of the State, to Petromin.

Under the Petromin Act, Petromin could be appointed as State nominee, in place of MRDC, for the purpose of exercising the State's entitlement to an equity interest in any future petroleum project, at the time of grant of a PDL.

(q) ***Project area landowners and affected local-level government equity entitlement*** - out of the State equity entitlement, an equity benefit is reserved for the benefit of the project area landowners and affected Local-level Governments. The acquisition costs of the equity benefit and the development costs attributable to that benefit are borne solely by the State. Both the royalty benefit and the equity benefit and any other interest or benefit acquired by project area landowners and affected Local-level Governments are required to be held on trust by a corporate trustee that is, in turn, wholly owned by the MRDC. MRDC is wholly owned by the State and was established for the purposes of holding and managing landowner/provincial government equity in resource projects on trust.

(r) ***Petroleum or gas agreement with the State*** – in relation to a petroleum development project, the State may, through the Minister, either into either a petroleum agreement or a gas agreement with a PDL Licencee (or applicant) for:

(i) the definition of the extent of a particular petroleum project and operations for that petroleum project, for the purposes of the Oil and Gas Act and any other law;

(ii) the transfer and assignment of a State equity interest in that petroleum project;

(iii) any other matters relating to that petroleum project or those operations, which are agreed to by the parties to the agreement, which, without limitation, may include:

(A) the application of particular provisions of the Oil and Gas Act to the petroleum project

(B) where permitted by other Acts, the application of particular provisions of those other Acts to the petroleum project

For example, a petroleum project proponent may negotiate tax concessions with the State. Such tax concessions would be set out in the petroleum agreement or the gas agreement. Under sections 183 and 184 of the Oil and Gas Act, petroleum agreements and gas agreements override other provisions of the Oil and Gas Act and any other Act.

4.5 Consequences of non-compliance with licence conditions, directions and the Oil and Gas Act generally

(a) Generally all Licencees, including registered holders of PPLs and PRLs, are required to comply with their respective licence conditions (express or implied) and directions issued and the Oil and Gas Act and the Oil and Gas Regulation.

(b) In relation to non-compliance with licence conditions by a PPL or PRL holder, the consequences may include:

(i) cancellation or suspension of the licence by the Minister

(ii) refusal by the Minister to grant an application for extension of a licence

(iii) where the licence holder wishes to surrender the licence, the Minister may not consent to the surrender unless there exists special circumstances justifying the consent

(iv) any other penalty or fines prescribed by the Oil and gas Act

(c) Where a licence holder fails to comply with directions issued under the Oil and Gas Act, and the Minister cancels the licence, the Minister may give further directions for removal of property, plugging or closing off wells and for the conservation and protection of the natural resources in that area. If the holder of a cancelled licence fails to comply with these further directions, the Minister may do or cause all or anything required by that direction to be done including, without limitation, removing and disposing of any property from the relinquished area. Any cost or expense arising out of implementing the direction will become a debt due by the owner of the property to the State, and may be deducted from the proceeds of sale of any property removed from the relinquished area.

5. Licenses

5.1 PPL 337

We conducted a search of the Register on 28 October 2011 and confirm the following:

(a) PPL 337 was granted to the Company (as the sole registered holder) for a term of 6 years, starting on 2 September 2009. There are no dealings or transfers registered (including encumbrances) against PPL 337. Annual rent is paid up to date.

(b) A bank guarantee has been provided in favour of the DPE in satisfaction of the K100,000 security bond for PPL 337.

(c) According to the PPL 337 licence instrument, the approved work and expenditure program for PPL 337 is as follows:

Time Limit	Approved work and expenditure program
Within 2 years of date of grant	1. conduct a comprehensive review of available data in the licence area 2. conduct geological and geophysical studies, incorporating well data, available seismic, gravity, magnetic and remote sensing 3. compile inventory of leads and prospects 4. spend at least US$ 200,000 to complete work
At least 2 months before 1 September 2011	Submit acceptable proposals to the Minister for work and expenditure for the third and fourth licence years, which must include: 1. drilling an exploration well 2. reviewing well results and incorporating with existing data 3. contingent upon the success of the first well, acquiring additional seismic or drilling an appraisal well 4. if so requested by the Director, submitting to the Director particulars of financial resources available to the Licencee to carry out the year 3 and 4 work program or an acceptable schedule of actions the Licencee will take to ensure the availability of the necessary financial resources, including documentary evidence such action has been taken
At least 2 months before 1 September 2013	Submit to the Minister for approval acceptable proposals for work and expenditure for years 5 and 6, which must include: 1. incorporating results of year 2 and 3 licence work into existing database 2. acquiring field data and finalising leads and prospects inventory 3. drilling an exploration well 4. if so requested by the Director, submit particulars of the financial resources available to the Licencee to carry out the year 5 and 6 work program and an acceptable schedule of actions that Licencee will take to ensure the availability of necessary financial resources with documentary evidence of actions taken
	The Licencee may carry forward work and expenditure in excess of approved work and expenditure commitments in any one years of the licence to future years of the licence as a credit against work and expenditure commitments of future years and such work so credited will be deemed to be work of those future years in compliance with the conditions related to those years.
	The Licencee may take samples of any petroleum found in the licence area to test it and determine its chemical composition. With prior approval of the Director, the Licencee may carry out well flow tests, but the Licencee may not otherwise recover petroleum from the licence area.

(d) Section 31 of the Oil and Gas Act imposes additional conditions on all PPLs and those conditions are summarised at schedule 1.

(e) According to the licence instrument for PPL 337, the licence area comprises 68 blocks and all are inclusive. The location of the licence area can be identified by map title and section number as shown on the Graticular Section maps (1:1 000 00) prepared and published by the DPE as Lae Map Sheet S.B.55.

(f) The Registrar confirmed by letter dated 26 October 2011 that PPL 337 is in good standing insofar as payment of annual fees and reporting requirements are concerned and the Licencee has fully complied with and discharged all its statutory and licence work obligations to date.

(g) The Registrar confirmed by the same letter dated 26 October 2011 that no compensation agreements have been lodged, or are required to be lodged yet under section 118(5) of the Oil and Gas Act in respect of PPL 337.

(h) There is a standard provision in condition 3 of the licence instrument for PPL 337 which states the "Licencee shall not transfer, or in any other way deal in, this Licence unless to or with a 'related corporation within the meaning of the Companies Act, during the first two years of the Licence. Dealings in PPL 337 (except to related corporations) are therefore prohibited until 2 September 2011, being the beginning of the third licence year of PPL 337, unless that condition is waived by the Minister.

5.2 PPL 338

We conducted a search of the Register on 28 October 2011 and confirm the following:

(a) PPL 338 was granted to the Company (as the sole registered holder) for a term of 6 years, starting on 2 September 2009. There are no dealings or transfers registered (including encumbrances) against PPL 338. Annual rent is paid up to date.

(b) A bank guarantee has been provided in favour of the DPE in satisfaction of the K100,000 security bond for PPL 338.

(c) According to PPL 338 licence instrument, the approved work and expenditure program for PPL 338 is as follows:

Time Limit	Approved work and expenditure program
Within 2 years of date of grant	1. conduct a comprehensive review of available data and compile inventory of leads and prospects in the licence area 2. conduct geological and geophysical studies 3. plan field work, both geological and geophysical over most of the prospective leads and prospects 4. spend at least US$ 200,000 to complete work during first 2 year period
At least 2 months before 1 September 2011	Submit acceptable proposals for work and expenditure for the third and fourth licence years to the Minister for approval, which must include: 1. acquiring field data, both geological and geophysical work 2. acquiring a minimum of 20km of 2D seismic data where necessary over most prospective leads 3. interpreting field data and integrating with existing data 4. finalising leads and prospects map 5. drilling of an exploration well 6. if so requested by the Director, submitting to the Director particulars of financial resources available to the Licencee to carry out the year 3 and 4 work program or an acceptable schedule of actions the Licencee will take to ensure the availability of the necessary financial resources, including documentary evidence of actions taken
At least 2 months before 1 September 2013	Submit to the Minister for approval acceptable proposals for work and expenditure for years 5 and 6, which must include: 1. incorporating results of first well 2. drilling an exploration well 3. if so requested by the Director, submitting particulars of the financial resources available to the Licencee to carry out the year 5 and 6 work program and an acceptable schedule of actions that Licencee will take to ensure the availability of necessary financial resources with documentary evidence of actions taken
	The Licencee may carry forward work and expenditure in excess of approved work and expenditure commitments in any one years of the licence to future years of the licence as a credit against work and expenditure commitments of future years and such work so credited will be deemed to be work of those future years in compliance with the conditions related to those years.
	The Licencee may take samples of any petroleum found in the licence area to test it and determine its chemical composition. With prior approval of the Director, the Licencee may carry out well flow tests, but the Licencee may not otherwise recover petroleum from the licence area.

(d) Section 31 of the Oil and Gas Act imposes additional conditions on all PPLs and those conditions are summarised at schedule 1.

(e) According to the licence instrument for PPL 338, the licence area comprises 39 blocks and all are inclusive. The location of the licence area can be identified by map title and section number as shown on the Graticular Section maps (1:1 000 00) prepared and published by the DPE as Lae Map Sheet S.B.55.

(f) The Director confirmed by letter dated 26 October 2011 that PPL 338 is in good standing insofar as payment of annual fees and reporting requirements are concerned and the Licencee has fully complied with and discharged all its statutory and licence work obligations to date.

(g) The Director confirmed by the same letter dated 26 October 2011 that no compensation agreements have been lodged, or are required to be lodged yet under section 118(5) of the Oil and Gas Act in respect of PPL 338. Compensation agreements will need to be lodged to undertake field operations in the PPL338 area.

(h) Condition 3 of the licence instrument for PPL 338, which states that the "Licencee shall not transfer, or in any other way deal in, this Licence unless to or with a 'related corporation within the meaning of the Companies Act, during the first two years of the Licence, has been waived by the Minister by letter dated 15 December 2010.

(i) The Company has entered into a farm-in agreement with Oil Search (PNG) Limited (OSPNG), under which OSPNG is entitled to earn an initial interest of 30% in PPL 338 by conducting a seismic program in the PPL 338 area at its sole risk and cost. OSPNG may also, at its sole discretion, acquire an additional interest of 40% in PPL 338 by paying for and arranging for the drilling of a well up to a capped cost.***5.3 PPL 339***

We conducted a search of the Petroleum Register on 28 October 2011 and confirm the following:

(a) PPL 339 was granted to the Company (as the sole registered holder) for a term of 6 years, starting on 2 September 2009. There are no dealings or transfers registered (including encumbrances) against PPL 339. Annual rent is paid up to date.

(b) A bank guarantee has been provided in favour of the DPE in satisfaction of the K100,000 security bond for PPL 339.

(c) According to the PPL 339 licence instrument, the approved work and expenditure program for PPL 339 is as follows:

Time Limit	Approved work and expenditure program
Within 2 years of date of grant of PPL 339	1. conduct a comprehensive review of available data and compile inventory of leads and prospects in the licence area 2. conduct geological and geophysical studies 3. plan field work, both geological and geophysical over most of the prospective leads and prospects 4. spend at least US$ 200,000 to complete work during first 2 year period
At least 2 months before 1 September 2011	Submit acceptable proposals for work and expenditure for the third and fourth licence years to the Minister for approval, which must include: 1. acquiring field data, both geological and geophysical work 2. acquiring a minimum of 20km of 2D seismic data where necessary over most prospective leads 3. interpreting field data and integrating with existing data 4. finalising leads and prospects map 5. drilling of an exploration well 6. if so requested by the Director, submit to the Director particulars of financial resources available to the Licencee to carry out the year 3 and 4 work program or an acceptable schedule of actions the Licencee will take to ensure the availability of the necessary financial resources, including documentary evidence that demonstrates the actions taken

At least 2 months before 1 September 2013	Submit to the Minister for approval acceptable proposals for work and expenditure for years 5 and 6, which must include: 1. incorporating results of first well 2. drilling an exploration well 3. if so requested by the Director, submitting particulars of the financial resources available to the Licencee to carry out the year 5 and 6 work program and an acceptable schedule of actions that Licencee will take to ensure the availability of necessary financial resources with documentary evidence of actions taken
	The Licencee may carry forward work and expenditure in excess of approved work and expenditure commitments in any one years of the licence to future years of the licence as a credit against work and expenditure commitments of future years and such work so credited will be deemed to be work of those future years in compliance with the conditions related to those years.
	The Licencee may take samples of any petroleum found in the licence area to test it and determine its chemical composition. With prior approval of the Director, the Licencee may carry out well flow tests, but the Licencee may not otherwise recover petroleum from the licence area.

(d) Section 31 of the Oil and Gas Act imposes additional conditions on all PPLs and those conditions are summarised at schedule 1.

(e) According to the licence instrument for PPL 339, the licence area comprises 99 blocks and all are inclusive. The location of the licence area can be identified by map title and section number as shown on the Graticular Section maps (1:1 000 00) prepared and published by the DPE as Lae Map Sheet S.B.55.

(f) The Director confirmed by letter dated 26 October 2011 that PPL 339 is in good standing insofar as payment of annual fees and reporting requirements are concerned and the Licencee has fully complied with and discharged all its statutory and licence work obligations to date.

(g) The Director confirmed by the same letter dated 26 October 2011 that no compensation agreements have been lodged, or are required to be lodged yet under section 118(5) of the Oil and Gas Act in respect of PPL 339. Compensation agreements will need to be lodged to undertake field work in the PPL339 area.

(h) Condition 3 of the licence instrument for PPL 339, which states that the "Licencee shall not transfer, or in any other way deal in, this Licence unless to or with a 'related corporation within the meaning of the Companies Act during the first two years of the Licence, has been waived by the Minister by letter dated 15 December 2010.

(i) The Company has entered into a farm-in agreement with OSPNG, under which OSPNG is entitled to earn an initial interest of 30% in PPL 338 by conducting a seismic program in the PPL 338 licence area at its sole risk and cost. OSPNG may also, at its sole discretion, acquire an additional interest of 40% in PPL 338 by paying for and arranging the drilling of a well up to a capped cost.

5.4 PPL 340

We conducted a search of the Register on 28 October 2011 and confirm the following:

(a) PPL 340 was granted to the Company (as the sole registered holder) for a term of 6 years, starting on 2 September 2009. There are no dealings or transfers registered (including encumbrances) against PPL 340. Annual rent is paid up to date.

(b) A bank guarantee has been provided in favour of the DPE in satisfaction of the K100,000 security bond for PPL 340.

(c) According to PPL 340 licence instrument, the approved work and expenditure program for PPL 340 is as follows:

Time Limit	Approved work and expenditure program
Within 2 years of date of grant	1. conduct a comprehensive review of available data and compile inventory of leads and prospects in the licence area 2. conduct geological and geophysical studies 3. plan field work, both geological and geophysical over most of the prospective leads and prospects 4. spend at least US$ 200,000 to complete work during first 2 year period
At least 2 months before 1 September 2011	Submit acceptable proposals for work and expenditure for the third and fourth licence years to the Minister for approval, which must include: 1. acquiring field data, both geological and geophysical work 2. acquiring a minimum of 20km of 2D seismic data where necessary over most prospective leads 3. interpreting field data and integrating with existing data 4. finalising leads and prospects map 5. drilling an exploration well 6. if so requested by the Director, submit to the Director particulars of financial resources available to the Licencee to carry out the year 3 and 4 work program or an acceptable schedule of actions the Licencee will take to ensure the availability of the necessary financial resources, including documentary evidence that demonstrates actions taken
At least 2 months before 1 September 2013	Submit to the Minister for approval acceptable proposals for work and expenditure for years 5 and 6, which must include: 1. incorporating results of first well 2. drilling an exploration well 3. if so requested by the Director, submitting particulars of the financial resources available to the Licencee to carry out the year 5 and 6 work program and an acceptable schedule of actions that Licencee will take to ensure the availability of necessary financial resources with documentary evidence of actions taken
	The Licencee may carry forward work and expenditure in excess of approved work and expenditure commitments in any one year of the licence to future years of the licence as a credit against work and expenditure commitments of future years and such work so credited will be deemed to be work of those future years in compliance with the conditions related to those years.
	The Licencee may take samples of any petroleum found in the licence area to test it and determine its chemical composition. With prior approval of the Director, the Licencee may carry out well flow tests, but the Licencee may not otherwise recover petroleum from the licence area.

(d) Section 31 of the Oil and Gas Act imposes additional conditions on all PPLs and those conditions are summarised at schedule 1.

(e) According to the licence instrument for PPL 340, the licence area comprises 52 blocks and all are inclusive. The location of the licence area can be identified by map title and section number as shown on the Graticular Section maps (1:1 000 00) prepared and published by the DPE as Lae Map Sheet S.B.55 and the Port Moresby Map Sheet S.C.55.

(f) The Director confirmed by letter dated 26 October 2011 that PPL 340 is in good standing insofar as payment of annual fees and reporting requirements are concerned and the Licencee has fully complied with and discharged all its statutory and licence work obligations to date.

(g) The Director confirmed on by the same letter dated 26 October 2011 that no compensation agreements have been lodged, or are required to be lodged yet under section 118(5) of the Oil and Gas Act in respect of PPL 340. Compensation agreement will be needed to undertake field operations in the PPL340 area.

(h) There is a standard provision in condition 3 of the licence instrument for PPL 340 which states the "Licencee shall not transfer, or in any other way deal in, this Licence unless to or with a 'related corporation within the meaning of the Companies Act, during the first two years of the Licence. Dealings in PPL 340 (except to related corporations) are therefore prohibited until 2 September 2011, being the beginning of the third licence year of PPL 340, unless that condition is waived by the Minister.

5.5 PRL 21

We conducted a search of the Petroleum Register on 28 October 2011 and confirm the following:

(a) PRL 21 was granted to the Company and other entities for a term of 5 years, starting on 18 March 2011. There are no dealings or transfers registered (including encumbrances) against PRL 21. Annual rent is paid up to date.

(b) The register entry for PRL 21 shows that there are 2 other registered holders of PRL 21 and it is currently owned in the following percentage interests:

Registered Holder	Percentage interest
Horizon Oil (Papua) Limited	45%
Talisman Energy Niugini Limited	35%
Company	20%

(c) According to PRL 21 licence instrument, the approved work and expenditure program for PRL 21 is as follows:

Licence Year	Approved work and expenditure program
Year 1	1. two months after award of PRL 21, Licencees must acquire 60 km of seismic data and process and interpret the seismic data acquired 2. three months after award of PRL 21, Licencees must mobilise to drill and log a first appraisal well on Elevala structure based on previous work particularly derived from the seismic acquisition, processing and interpretation results in former PRL 5 to determine the height of the hydrocarbon column and extent of reservoir 3. conduct market analysis for gas sales to local and regional markets and options including LNG export and industrial processing 4. update social mapping & landowner identification studies as appropriate 5. subject to the successful drilling results of the first appraisal well, log, test and evaluate the first appraisal well
Year 2	1. acquire 45 km of 2D seismic over Elevala/Tingu/ketu 2. two months after 1st anniversary of PRL 21, Licencees must (based on the results of the year 1 seismic acquisition, reprocessing and interpretation results) mobilise to drill & log a second appraisal well on the Ketu structure to determine the height of the hydrocarbon column and extent of the reservoir 3. update social mapping & landowner identification studies as appropriate 4. subject to the successful drilling results of the first appraisal well: 4.1. engineering design and commercial analysis for potential development of the Elevala resource 4.2. construct a field development plan for Elevala as appropriate and apply for a PDL 4.3. construct a field development plan for Ketu as appropriate and apply for a PDL
Year 1 & 2	The minimum expenditure for the year 1 and 2 work program is US$ 46,650,000.

Year 3	Subject to obtaining successful drilling results for the appraisal wells drilled in Years 1 and 2: 1. engineering design and commercial analysis for potential development of Ketu resource 2. drill an appraisal well on Tingu structure to determine the height of the hydrocarbon column and extent of the reservoir 3. conduct logging, testing and evaluation as required on the Tingu appraisal well
Years 4 & 5	Subject to obtaining successful drilling results for the appraisal wells drilled in Years 1 and 2: 1. engineering design and commercial analysis for potential development of Tingu resource 2. construct a field development plan for Tingu as appropriate and apply for a PDL
Years 3, 4 & 5	Subject to obtaining successful drilling results for the appraisal wells drilled in Years 1 and 2, the minimum contingent expenditure for years 3, 4 and 5 is $US28,250,000.
Years 3, 4 & 5 alternative work program	If the year 1 and 2 drilling results are unsuccessful, then the Licencee must submit to the Minister a firm work and expenditure program for years 3, 4 and 5 at least 2 months before expiry of year 2.
	The Licencees are required to use reasonable endeavours to consult and coordinate activities they are required to carry out under their work program with the Licencees of adjacent licenses containing gas fields.
	The Licencees must every six months from the state of the PRL, submit to the Director, in duplicate, a report showing the nature and results of their studies, conducted in the immediately preceding six months together with a statement, in duplicate, showing the amounts spent in the licence area during that period.

(d) Section 46 of the Oil and Gas Act imposes additional conditions on all PRLs and those conditions are summarised at schedule 1.

(e) According to the licence instrument for PRL 21, the licence area comprises 9 blocks and all are inclusive. The location of the licence area can be identified by map title and section number as shown on the Graticular Section maps (1:1 000 00) prepared and published by the DPE as Fly River Map Sheet S.B.54.

(f) The Director confirmed by letter dated 26 October 2011 that PRL 21 is in good standing insofar as payment of annual fees and reporting requirements are concerned and the Licencee has fully complied with and discharged all its statutory and licence work obligations to date.

(g) The Director confirmed by the same letter dated 26 October 2011 that no compensation agreements have been lodged, or are required to be lodged under section 118(5) of the Oil and Gas Act in respect of PRL 21. Compensation agreements will need to be lodged to undertake field operations in the PRL 21 area.

Farmout Agreement

The Company has agreed terms for a Farmout Agreement which is shortly to be executed and to be dated on or around 3rd November 2011, between the Company and Talisman Energy Niugini Limited (Talisman), where the Company has agreed to assign and transfer and Talisman has agreed to acquire a 5% participating interest in PRL21. If it completes this will reduce the Participating Interest of the Company from 20% to 15%.

Side Agreement between the Company and Talisman Energy Niugini Limited and Horizon Oil (Papua) Limited

Talisman Energy Niugini Limited and Horizon Oil (Papua) Limited, Talisman and Horizon and the Company have by the letter agreement entitled "PRL Agreement - Side Letter" to be executed and dated on or about 2 November 2011, have agreed to extend the time in respect of payment by the Company of certain cash calls under the Joint Operating Agreement. In the event the Company defaults in such payment and does not rectify the default, Talisman and Horizon will be entitled to the assignment and transfer of all of the Company's undivided interest in the Licence as at that date pursuant to signed instruments of assignment and transfer held by an escrow agent on behalf of the Company, Talisman and Horizon.

6. Access and compensation arrangements

(a) A PPL or PRL confers on its registered holder the exclusive right to explore for petroleum and to carry out appraisal of a petroleum discovery, including drill stem and extended production tests and the recovery, sale or other disposal of all petroleum so produced. Furthermore, the rights conferred on a registered holder of a PPL or PRL are exercisable on any land within the licence area, and for the purpose of exercising those rights, a registered tenement holder or its agents or personnel may, to the extent reasonably necessary for the registered tenement holder's operations in the licence area:

- (i) enter and occupy land in the licence area
- (ii) erect and remove buildings
- (iii) bring any machinery or other equipment onto the licence area and remove any such equipment
- (iv) construct roads, airstrips or helicopter pads in the licence area
- (v) bring in and install machinery and equipment
- (vi) take and divert water from any lake, stream or watercourse in the PPL/PRL area (subject to the Environment Act and the Water Resources Act 1982)
- (vii) cut and use timber and remove stone, clay or gravel for or in connection with building or construction work within the licence area
- (viii) request the Minister to acquire compulsorily and land required by the registered tenement holder for its operators within the licence area

(b) The owner, occupier or any other person having an interest in any private land in a licence area may continue to use, occupy and enjoy the land, with the exception of any part of the land reasonably required from time to time by the registered tenement holder for the exercise of its rights under the licence.

(c) A registered tenement holder is liable to pay compensation to the lawful owners and rightful occupiers of, and any persons interested in, private land in relation to their several interests in respect of the entry on or occupation of the land by a registered tenement holder. The compensation is for:

- (i) loss of use and enjoyment of the surface of the land or any part of it or of any rights customarily associated with it
- (ii) damage to the surface of the land or any part of it or any improvements on it or to any trees, fish or animals caused by carrying on operations
- (iii) severance of the land from other land of any owner, occupier or person interested in the land
- (iv) rights of way and easements
- (v) any other damage consequential on the registered tenement holder's use or occupation of the land

(d) Prior to first entry onto the licence area for the purposes of exploration, the registered tenement holder must undertake (to the extent not already concluded) a preliminary social mapping study and a preliminary landowner identification study of the customary land owners comprised in the licence area.

(e) A registered tenement holder may agree with any person entitled to compensation under the Oil and Gas Act the amount of compensation payable. However, a compensation agreement is only valid if it is in writing, signed by the parties to it or their agents and lodged with the Director pursuant to section 118 of the Oil and Gas Act. There is no obligation to register compensation agreements and no record is made of compensation agreements on the Petroleum Register.

(f) Where a registered tenement holder and affected owners, occupiers of other persons interested in land cannot agree on the amount of compensation payable, either of them may, by notice to the Chief Warden, request the Chief Warden or a Warden to determine the amount of compensation payable. In reaching a decision, the Warden must have regard to the principles of natural justice and must make the decision on the basis of the evidence and arguments presented and in accordance with the principles of compensation found in the Oil and Gas Act.

7. Environmental regulation

(a) In PNG, petroleum activities which may harm the environment are also regulated by the Environment Act 2000 (PNG) (the Environment Act) and any regulations made pursuant to it.

(b) The PNG Department of Environment and Conservation is responsible for administering the Environment Act and regulations made pursuant to it.

(c) Under the Environment Act, certain activities, which are considered harmful to the environment, may not be undertaken without first applying for and successfully obtaining an environment permit under Part V of the Environment Act.

(d) The environment permit is required in addition to any approvals and licences required under the Oil and Gas Act, which remains the principal act that regulates the conduct of petroleum activities. For example, under the Environment Act, an environment permit is required to drill an oil or gas well, transport petroleum using a pipeline with a holding capacity of greater than 0.5 million litres and recover oil and gas from an operating oil and gas field.

(g) Officers at the DEC have confirmed that the existing practice is for a registered holder of a PPL (or PRL) to apply for the required environment permit after it has been issued a PPL (or PRL), has completed the preliminary work commitments required by the approved work and expenditure program and consequently wishes to commence the relevant Level 2 activity set out in the approved work and expenditure program, for which an environment permit is required. The DEC will only issue an environment permit (including water use permits) if the applicant has already been granted a licence under the Oil and Gas Act.

(h) According to the searches made at the DEC on 20 May 2011, no environment permits have been issued in respect of the Licenses and the Company has not made any applications for environment permits.

8. Consent

Gadens Lawyers has given, and has not before the issue of the Prospectus withdrawn its consent to the issue of each in Australia and Papua New Guinea respectively, with this Opinion included in the form and context in which it appears.

Yours sincerely

S Kami

Steven Kami
for ***GADENS LAWYERS***

Schedule 1 – Licence conditions imposed by the Oil and Gas Act

Licence conditions imposed on PPLs by section 31(2)

Time Limit	Approved work and expenditure program
At least 2 months before expiry of the 2nd & 4th years of the PPL (or extension)	PPL holder to submit acceptable proposals for work and expenditure for the 3rd, 4th, 5th and 6th licence years (or extension), as applicable
During 1st 2 years of licence term	PPL holder to carry out the work and expend the amount(s) specified in the licence instrument for those years
At the end of each 6 months from date of grant of licence and each subsequent 6 months	PPL holder to submit, in duplicate, six monthly reports showing the nature and result of exploration operations conducted during the immediately preceding period of 6 months, with a plan of the area explored, showing all available information together with a program of operations for the next succeeding 6 months PPL holder must also forward to the Director a statement, in duplicate, showing the amounts spent in relation to the PPL during the immediately preceding 6 months
When required by the Director	PPL holder to provide reports on its activities in respect of the PPL containing such information and at such frequency as specified in any section 148 direction
Prior to first entry onto the PPL area for the purpose of exploration pursuant to the PPL	PPL holder to carry out preliminary social mapping study and preliminary landowner identification study of the customary landowners comprised in the PPL area, with particular reference to that part of the PPL area where the PPL holder's activities are to be concentrated, in accordance with section 47 of the Oil and Gas Act
At the end of each licence year	PPL holder to present to the Director a report on prospecting operations in the previous year and proposed operations for the following year

Licence conditions imposed on PRLs by section 46

Discretionary/ Compulsory	Condition
Compulsory	PRL holder must carry out the proposals approved under section 40(2) or 45(8)
Compulsory	PRL holder must give the Director reports on its activities in respect of the PRL containing such information and at such frequency as specified in, and otherwise comply with, any direction given under section 148
Compulsory	PRL holder must carry out social mapping and landowner identification studies in accordance with section 47
Discretionary	PRL holder must comply with any other conditions not inconsistent with the Oil and Gas Act as the Minister thinks proper and as are specified in the PRL
Discretionary	PRL holder may be required to enter into a gas agreement

11. ADDITIONAL INFORMATION

11.1 INCORPORATION

The Company was registered under the Companies Act 1997 (Papua New Guinea) on 19 May 2008 under its previous name Baraboo No.10 Limited and changed its name to Kina Petroleum Limited on 17 March 2011.

The Company's wholly owned Australian subsidiary, Kina Oil and Gas Limited ACN 146 457 141, was incorporated in Victoria under the *Corporations Act 2001* (Cth) on 21 September 2010. Kina Oil and Gas Limited retains Australian based consultants and employees and has paid the Australian related costs of the IPO.

The following is a summary of the principal rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

RIGHTS ATTACHING TO SHARES

VOTING

Every holder of shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of shares who is present in person or by proxy, attorney or representative has one vote for every fully paid share held by him or her, and a proportionate vote for every partly paid share, registered in such shareholder's name on the Company's share register.

A poll may be demanded by the chairperson of the meeting, by any five shareholders present in person or by proxy, attorney or representative, or by any one or more shareholders who are together entitled to not less than 10% of the total voting rights of, or paid up value of, the shares of all those shareholders having the right to vote at that meeting.

DIVIDENDS

Dividends are declared by the Directors. Dividends declared will be paid according to the amounts paid or credited as paid on the Shares for which the dividends are paid.

TRANSFER OF SHARES

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by the Listing Rules or the Companies Act for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors.

The Directors may refuse to register any transfer of Shares, other than a proper ASX Settlement transfer, where permitted or required by the Listing Rules or ASX Settlement Operating Rules. The Company must not refuse to register or give effect to or delay or in any way interfere with a proper ASX Settlement transfer of Shares or other securities.

MEETINGS AND NOTICE

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the constitution of the Company, the Companies Act or the Listing Rules.

LIQUIDATION RIGHTS

The Company has only issued one class of Shares, which all rank equally in the event of liquidation. Once all the liabilities of the Company are satisfied, including the repayment of paid up capital, a liquidator may distribute any surplus assets so that, to the greatest extent possible, the amount distributed to a Shareholder in respect of each Share is proportional to the amount paid up on that Share compared with the total paid up capital of the Company. With the authority of a special resolution of Shareholders divide the whole or any part of the remaining assets of the Company. The liquidator can with the sanction of a special resolution of the Company's Shareholders vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder of the Company can be compelled to accept any Shares or other securities in respect of which there is any liability.

SHAREHOLDER LIABILITY

As the Shares under the Prospectus are fully paid Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

APPOINTMENT OF DIRECTORS

The Company must have not less than 3, and not more than 9, directors. The Company in general meeting may by ordinary resolution appoint any person as a director. The Directors may appoint any person as a director, but any directors appointed by the Directors must retire at the next Annual General Meeting and are eligible for re-election at that meeting.

ALTERATION TO THE CONSTITUTION

The constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

ASX LISTING RULES

If the Company is admitted to the Official List of ASX, then despite anything in the constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the constitution to contain a provision or not to contain a provision the constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the constitution is or becomes inconsistent with the Listing Rules, the constitution is deemed not to contain that provision to the extent of the inconsistency.

11.2 TERMS AND CONDITIONS OF OPTIONS

11.2.1 SPECIFIC TERMS AND CONDITIONS

Director Options

The Company has issued options on different terms and conditions to Ramjet Holdings Pty Ltd, Dr Ila Temu and Mr Richard Schroder (Director Options). The specific terms and conditions of the Director Options are as follows:

a) The key terms of the Director Options issued to Ramjet Holdings Pty Ltd are as follows:

- i. Number of options issued – 9,750,000;
- ii. Exercise price – $0.20;
- iii. Vesting conditions – the options are divided into 2 equal tranches, each with different vesting conditions as follows:
  - (A) Tranche 1 – the options vest upon the issue of the options;
  - (B) Tranche 2 – the options vest 24 months from the date of issue, conditional upon the holder remaining employed by the Company for a period of 2 years commencing from the agreed date of appointment;
- iv. Expiry date – each tranche of options expires on 31 October 2013.

b) The key terms of the Director Options issued to Dr Ila Temu are as follows:

i. Number of options issued – 500,000;

ii. Exercise price – $0.20;

iii. Vesting conditions – the options are divided into 3 equal tranches, each with different vesting conditions as follows:

(A) Tranche 1 – the option holder remains employed by the Company for a period of 1 year commencing from the agreed date of appointment (Tranche 1 vesting date);

(B) Tranche 2 - the option holder remains employed by the Company for a period of 2 years commencing from the agreed date of appointment (Tranche 2 vesting date);

(C) Tranche 3 - the option holder remains employed by the Company for a period of 3 years commencing from the agreed date of appointment (Tranche 3 vesting date);

iv. Expiry date – each tranche of options expires on 31st December 2013.

c) The key terms of the Director Options issued to Mr Richard Schroder are as follows:

i. Number of options issued – 5,000,000;

ii. Exercise price – $0.20;

iii. Vesting conditions – the option holder remains employed by the Company for a period of 2 years commencing from the date the Company's shares are quoted on either the ASX or POMSoX;

iv. Expiry date – 31 December 2013.

Options pursuant to the Offer

The specific terms and conditions of options issued pursuant to the Offer (Options) are as follows:

a) Exercise price – $0.20 each;

b) Expiry date – 30 November 2012.

c) Application will be made to ASX to have the options quoted on the ASX and POMSoX.

11.2.2 COMMON TERMS AND CONDITIONS

The common terms and conditions of the Options and Director Options are as follows:

a) Each option entitles the holder to one Share in the capital of the Company;

b) The options are to be exercised by completing an option exercise form and providing payment for the number of Shares in respect of which the options are exercised, to the registered office of the Company;

c) The options are transferable;

d) All Shares issued upon exercise of options will rank pari passu in any respects with the Company's then issued Shares. The Company will apply for Official Quotation by the ASX of all Shares issued upon exercise of options;

e) There are no participating rights and entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the options without exercising their options;

f) If any takeover bid (including by way of scheme of arrangement or otherwise) is publicly announced in respect of the Company, then the following provisions apply in relation to the takeover bid:

i. the Company must promptly give written notice of the takeover bid to the option holder whereupon all options (which have not lapsed or expired), notwithstanding anything to the contrary, become exercisable at any time prior to the expiry of the later of:

(A) 60 days after receiving such notice; and

(B) the date that a takeover bid (which is recommended for acceptance by the Board) becomes unconditional ("Takeover Exercise Period"), or, if applicable, within the further seven day period referred to below;

ii. If, during the Takeover Exercise Period, the person making the takeover bid ("bidder") offers to grant options in the capital of the bidder ("Replacement Options") to the option holder (and, for the avoidance of doubt, this does not obligate the Company in any way to procure such an offer from the bidder) in consideration for the cancellation or acquisition of the options, the option holder may, in their discretion, accept such Replacement Options instead of exercising their options;

iii. If no offer of Replacement Options is made during the Takeover Exercise Period and accepted, the option holder has (other than in the case of a scheme of arrangement) a further seven days' grace after the expiry of the Takeover Exercise Period within which to exercise their options, whereupon unexercised options will lapse. For the avoidance of doubt, in the case of a scheme of arrangement, the options will lapse at the end of the Takeover Exercise Period;

iv. If the takeover bid lapses or is withdrawn or closes without being recommended for acceptance by the Board, whether the bid is conditional or unconditional, then the provisions of all the paragraphs hereof will revive in respect of any unexercised options which options will remain on foot;

g) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry date of the options, the number of options or the exercise price of the options, or both, shall be reconstructed in accordance with the Listing Rules;

h) Adjustment for bonus issues
If the Company makes a pro-rata issue of securities to the holders of Shares as a bonus issue or in lieu of dividends:
i. if no amount is payable on the exercise of the options, then the number of options (or other terms and conditions) may be adjusted as determined by the Board in its discretions; or
ii. if an amount is payable on the exercise of the options, then the exercise price will be changed in accordance with the Listing Rules;

i) Adjustment for pro rata issue
If the Company makes a pro rata issue of Shares or other securities to existing Shareholders (other than a bonus issue or an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E\,[P-(S+D)]}{N+1}$$

O = the old Exercise Price of the option;
E = the number of underlying Shares into which one option is exercisable;
P = average market price per Share weighted by reference to volume of the underlying Shares during the five trading days ending on the day before the ex rights date or ex entitlements date;
S = the subscription price of a Share under the pro rata issue;
D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue);
N = the number of Shares with rights or entitlements that must be held to receive a right to one new share;

11.2.3 RULES OF THE KINA PETROLEUM LIMITED SHARE OPTION PLAN

The Board adopted the Kina Petroleum Limited Share Option Plan on 11th May 2011 (Plan).
The Plan is designed to:

- provide eligible participants with an ownership interest in the Company
- provide additional incentives to eligible participants
- attract, motivate and retain eligible participants.

As at the date of the Prospectus, Nil Plan Options have been granted under the Plan.

A summary of the Plan is set out below.

General
The Plan relates to the grant of options to subscribe for Shares (Plan Options). The Board may, from time to time, in its absolute discretion, offer to grant Plan Options to eligible participants under the Plan.

Each Plan Option will be issued for no consideration and will carry the right in favour of the option holder to subscribe for one Share.

Eligible Participants
Full or part-time employees or executive directors of the Company or a related body corporate are eligible participants.

Amount of options to be issued under the Plan
The number of Plan Options offered to eligible participants (if any) will be at the absolute discretion of the Board. The Board in determining the number of Plan Options to offer an eligible employee may have regard to: length of service with the Company, contribution to the Company and any other criteria that the Board considers appropriate in the circumstances.

The Board will not issue Plan Options if it would cause the Company to exceed any thresholds set out in any applicable class order or law.

Plan Option terms
Plan Options issued under the Plan will be subject to the terms determined by the Board in its sole discretion, which may include exercise conditions to be satisfied prior to the vesting of the Plan Options.

Each Plan Option issued under the Plan will be exercisable for one Share at an exercise price to be determined by the Board at the time of issue and will not be quoted on the ASX or the POMSoX.

The Share issued on the exercise of the Plan Option will rank equally with the other Shares on issue and the Company will apply to the ASX for quotation of those Shares.

Lapse of Plan Options

Unless the Board determines otherwise, and notwithstanding that a Plan Option has vested, all Plan Options lapse and are forfeited:

(a) if the option has expired without satisfaction of the vesting conditions;

(b) immediately after the voluntary resignation of the option holder from the Company or one of its Related Bodies Corporate, unless the option holder has resigned to accept an offer of employment from one of the Company's Related Bodies Corporate;

(c) immediately, if the option holder is dismissed from employment from the Company or a Related Body Corporate because of:

   (i) wilful misconduct bringing disrepute to the Company;

   (ii) repeated disobedience, after prior written warning;

   (iii) incompetence in performing duties, after prior written warning;

   (iv) fraud or dishonesty in respect of the property or affairs of the Company and its affiliates;

   (v) any other reason which the Board determines to be fair and reasonable.

Participation in future issues

There are no participating rights or entitlements inherent in the Plan Options and holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Plan Options.

Reorganisation

The terms on which Plan Options will be granted will not prevent the Plan Options being reorganised as required by the Listing Rules on the reorganisation of the capital of the Company.

Management of the Plan

The Board may amend the Rules of the Plan subject to the requirements of the Listing Rules. The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.

11.3 MATERIAL CONTRACTS

11.3.1 PETROLEUM PROSPECTING LICENCE 338, PAPUA NEW GUINEA

FARMIN AGREEMENT BETWEEN THE COMPANY AND OIL SEARCH (PNG) LIMITED

By the Farmin Agreement relating to Petroleum Prospecting Licence 338, Papua New Guinea, dated 19 October 2009 between the Company and Oil Search (PNG) Limited, Oil Search has agreed to acquire up to a 70% participating interest in the Licence. In consideration for the acquisition of an Initial Interest of 30% Oil Search agreed to pay to the Company the amount of US$100,000, representing expenditures already incurred by the Company in respect of the Licence, and to conduct, at Oil Search's sole cost, a seismic program comprising the acquisition and processing of 2D seismic data from the area of the Licence to satisfy the Licence work commitments for the third and fourth years of the Licence term. Oil Search can elect to carry out an additional 2D seismic program to be funded equally by the Company and Oil Search or the Company can elect to be carried by Oil Search in respect of the Company's 50% share of the costs of this additional seismic program.

Upon Oil Search's notice to the Company that Oil Search elects to acquire an Additional Interest of 40%, the Company will transfer and assign the Initial Interest to Oil Search and Oil Search will be liable for all costs, expenditures and liabilities in respect of its 70% participating interest in the Licence and under the Joint Venture Operating Agreement (described below). In consideration for the transfer of the Additional Interest by the Company to Oil Search, Oil Search agrees to carry the Company in respect of the Company's participating interest share of the costs of the drilling program comprising a well to satisfy the Licence work commitments up to a stipulated maximum well cost. Once the maximum well cost is reached the Company can elect whether to participate further in that drilling program by contributing its participating interest share of the costs in excess of the maximum well cost; to withdraw from the drilling program in accordance with the Exclusive Operations provisions of the Joint Venture Operating Agreement or to participate in the drilling program by diluting its participating interest share of well costs in excess of the maximum well cost.

Upon Oil Search's notice to the Company that Oil Search wishes to acquire the Additional Interest, the Company is also required to transfer and assign the Additional Interest to Oil Search, such transfer and assignment to be effective on the date of that notice.

Completion of the Farmin Agreement has occurred upon the satisfaction of the conditions precedent, and the Agreement has been approved and registered in accordance with the Oil and Gas Act (PNG).

JOINT VENTURE OPERATING AGREEMENT BETWEEN THE COMPANY AND OIL SEARCH (PNG) LIMITED

The Company and Oil Search (PNG) Limited have agreed in principle the terms of the Joint Venture Operating Agreement to provide for and govern joint operations in PPL 338 during the term of the Farmin Agreement. The Joint Venture Operating Agreement will come into effect under the terms of the Farmin Agreement for PPL 338 referred to above, and is in standard terms generally applicable in international joint operating agreements.

The initial participating interests of the parties as of the effective date of the Joint Venture Operating Agreement will be the Company 30% and Oil Search 70%. All rights and obligations under the Licence and all joint property and petroleum produced from the Licence will be owned by the parties in accordance with their respective participating interests.

Oil Search has been appointed as Operator of the Licence under the terms of the Farmin Agreement and the Joint Venture Operating Agreement, and the latter Agreement establishes an Operating Committee for the overall supervision and direction of joint operations. One of the main functions of the Operating Committee is to consider and approve work programs and budgets submitted by the Operator in accordance with stipulated voting procedures. If the Operating Committee determines that a commercial discovery has been made, the Operator must submit a development plan and the initial work program and budget for the development, for approval by the Operating Committee prior to any applicable deadline under the Licence.

Unless restricted elsewhere in the Agreement, a party may transfer its participating interest with the prior consent of the other parties and provided that no party holds less than 5% participating interest as a result of the transfer. Transfers are subject to the pre-emptive rights of the other parties to acquire the interest to be transferred on the same terms as negotiated by the transferring party with the third party. The other parties also have the pre-emptive right to acquire the participating interest of a party which is subject to a change of control by the sale of its shares or other equity interests or by merger.

11.3.2. PETROLEUM PROSPECTING LICENCE 339, PAPUA NEW GUINEA

FARMIN AGREEMENT BETWEEN THE COMPANY AND OIL SEARCH PNG LIMITED

By the Farmin Agreement relating to Petroleum Prospecting Licence 339, Papua New Guinea, dated 19 October 2009 between the Company and Oil Search (PNG) Limited, Oil Search has agreed to acquire up to a 70% participating interest in the Licence.

This Farmin Agreement is in identical terms to the Farmin Agreement for PPL 338 described above.

JOINT OPERATING AGREEMENT BETWEEN THE COMPANY AND OIL SEARCH (PNG) LIMITED

The Company and Oil Search (PNG) Limited have agreed in principle the terms of the Joint Venture Operating Agreement to provide for and govern joint operations in PPL 339 during the term of the Farmin Agreement. The Joint Venture Operating Agreement will come into effect under the terms of the Farmin Agreement for PPL 339 referred to above, and is in identical terms to the Joint Venture Operating Agreement for PPL 338 described above.

11.3.3. PETROLEUM RETENTION LICENCE 21, PAPUA NEW GUINEA

JOINT OPERATING AGREEMENT BETWEEN THE COMPANY, TALISMAN ENERGY NIUGINI LIMITED AND HORIZON OIL (PAPUA) LIMITED

The Company, Talisman Energy Niugini Limited and Horizon Oil (Papua) Limited have entered into the Joint Operating Agreement to have it as was provide for and govern joint operations in PRL 21. This Joint Operating Agreement is in standard terms generally applicable in international joint operating agreements.

Upon the agreed sale of a 5% interest in PRL 21 by Kina to Talisman Energy Niugini Limited being completed, the initial participating interests of the parties as of the effective date of the Joint Operating Agreement are the Company 15%, Talisman 40% and Horizon Oil 45%. All rights and obligations under the Licence and all joint property and petroleum produced from the Licence are owned by the parties in accordance with their respective participating interests.

Horizon Oil is appointed as Operator of the Licence under the terms of the Joint Operating Agreement, and an Operating Committee is established for the overall supervision and direction of joint operations. The voting procedure on the majority of matters coming before the Operating Committee is for proposals to be passed by the affirmative vote of two or more parties holding an aggregate participating interest of at least 65%. One of the main functions of the Operating Committee is to consider and approve work programs and budgets submitted by the Operator. If the Operating Committee determines that a commercial discovery has been made, the Operator must submit a development plan and the initial work program and budget for the development, for approval by the Operating Committee prior to any applicable deadline under the Licence.

Unless restricted elsewhere in the Joint Operating Agreement, a party may transfer its participating interest with the prior consent of the other parties and provided that no party holds less than 5% participating interest as a result of the transfer. Transfers are subject to the rights of first refusal of the other parties to acquire the interest to be transferred on the terms established by the transferring party prior to negotiating with a third party. The other parties also have rights of first refusal to acquire the participating interest of a party which is contemplating a change of control by the sale of its shares or other equity interests or by merger. Change of control does not apply to a change of control of the ultimate holding company of a party or upon the public listing of a party's shares on a stock exchange or when a party's shares are traded on a stock exchange.

FARMOUT AGREEMENT BETWEEN THE COMPANY AND TALISMAN ENERGY NIUGINI LIMITED

By the Farmout Agreement, Petroleum Retention Licence 21, Onshore Papua New Guinea, dated 3rd November 2011 between the Company and Talisman Energy Niugini Limited, the Company has agreed to assign and transfer and Talisman has agreed to acquire a 5% participating interest in the Licence. The effective date of the Agreement is when Talisman has a registered interest in the Licence upon the Agreement and assignments under the Agreement being approved and registered under the Oil and Gas Act.

11.3.4 SIDE AGREEMENT BETWEEN THE COMPANY AND TALISMAN ENERGY NIUGINI LIMITED AND HORIZON OIL (PAPUA) LIMITED

By the letter agreement entitled "PRL Agreement - Side Letter" dated 2 November 2011 between the Company, Talisman Energy Niugini Limited and Horizon Oil (Papua) Limited, Talisman and Horizon have agreed to extend the time in respect of payment by the Company of certain cash calls under the JOA to 31 January 2012. If Kina defaults in such payment and fails to rectify this defaut, Talisman and Horizon will be entitled to the assignment and transfer of all of Kina's undivided interest in the Licence as at that date pursuant to signed instruments of assignment and transfer held by an escrow agent on behalf of the Company, Talisman and Horizon.

11.3.5 ENGAGEMENT LETTER – MANAGING DIRECTOR

Pursuant to a letter between the Company and Mr Schroder, his appointment to the Board as Managing Director was confirmed. In consideration for the services provided by Mr Richard Schroder, the Company has agreed to pay him $300,000 per annum (exclusive of statutory superannuation) and in addition issue 5,000,000 Options as detailed in Section 11.2 of this Prospectus. Other standard terms including annual leave of 20 days, sick leave of 10 days and termination provisions whereby the Company may terminate his services by providing a three month notice period are outlined in this agreement.

11.3.6 ENGAGEMENT LETTERS – NON-EXECUTIVE DIRECTORS

Pursuant to letters between the Company and each of Messrs Prendiville, Temu and Tan, appointments to the Board as non-executive directors were confirmed.

In consideration for the services provided by Mr John Prendiville, the Company has agreed to pay him (or his nominee) $50,000 per annum (exclusive of statutory superannuation) and in addition issue 9,750,000 Options as detailed in Section 11.2 of this Prospectus.

In consideration for the services provided by Dr Ila Temu, the Company will pay him Kina 50,000 per annum (exclusive of statutory superannuation) and in addition issue 500,000 Options as detailed in Section 11.2 of this Prospectus.

In consideration for the services provided by Barry Tan, the Company will pay him Kina 50,000 per annum (exclusive of statutory superannuation).

The non-executive Directors are also entitled to fees or other amounts as the Board determines where they perform special duties or otherwise perform services outside the scope of the ordinary duties of a director. They may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

11.3.7 LETTER OF ENGAGEMENT – COMPANY SECRETARY MATTERS

In consideration for the services provided by Mr Peter Impey as Company Secretary, the Company will pay him US3,600 per annum (exclusive of statutory superannuation).

In consideration for the services provided by Mr Shane Hartwig in assisting the Company Secretary and other advisory services the Company will pay him $72,000 per annum (exclusive of statutory superannuation).

11.4 COMPANY TAX STATUS AND FINANCIAL YEAR

The Directors expect the Company will be taxed in Papua New Guinea as a public company. The financial year of the Company ends on 31st December annually.

11.5 DIRECTORS' INTERESTS

Except as disclosed in this Prospectus, no Director or proposed Director holds, or during the last two years has held, any interest in:

(a) the formation or promotion of the Company;
(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
(c) the Offer;

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to any Director or proposed Director to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

11.6 SHAREHOLDING QUALIFICATIONS

The Directors are not required to hold any Shares under the constitution of the Company.

11.7 DIRECTORS' HOLDINGS

Set out in the table below are details of Directors' relevant interests in the securities of the Company:

DIRECTOR	ORDINARY SHARES	OPTIONS
Mr John Prendiville	8,296,667	9,750,000
Dr Ila Temu	Nil	500,000
Mr Barry Tan	17,520,001	Nil
Mr Richard Schroder	10,000,000	5,000,000

The Directors have indicated that they may subscribe for additional Shares under this Prospectus.

11.8 REMUNERATION OF DIRECTORS

Under the Constitution, if the Company is listed, the fees of the Directors (excluding any Executive Directors) may not exceed in aggregate $300,000 in any financial year.

11.9 OTHER INTERESTS

The Company has entered into Deeds of Insurance, Indemnity and Access with each of the Directors under which the Company agrees to indemnify the Directors against certain liabilities incurred by the Directors while acting as Director of the Company, to insure the Directors against certain risks to which the Directors are exposed to as a Director of the Company and to grant to the Director a right of access to certain records of the Company for a period up to 7 years after the Director ceases to be a Director.

11.10 INTERESTS OF NAMED PERSONS

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, holds, or during the last two years has held, any interest in:

(a) the formation or promotion of the Company;

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or

(c) the Offer,

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Hall Chadwick Corporate (NSW) Limited, will receive professional fees of approximately $20,000 for accounting services in connection with this Prospectus including the provision of the Investigating Accountant's Report. During the 24 months preceding the lodgement of this Prospectus Hall Chadwick Corporate (NSW) Limited have received the sum of $Nil for other professional services provided to the Company.

HWL Ebsworth will receive professional fees of approximately $110,000 for legal services in connection with this Prospectus. During the 24 months preceding the lodgement of this Prospectus HWL Ebsworth have received the sum of $Nil for other professional services provided to the Company.

Gadens Lawyers will receive professional fees of approximately $45,000 for legal services in connection with this Prospectus including the provision of the Independent Solicitors Report on Tenements included in Section 10 of this Prospectus. During the 24 months preceding the lodgement of this Prospectus Gadens Lawyers have received the sum of $60,000 for other professional services provided to the Company.

GJ King & Associates will receive professional fees of approximately $4,207 for legal services in connection with this Prospectus. During the 24 months preceding the lodgement of this Prospectus GJ King & Associates have received the sum of $60,026 for other professional services provided to the Company.

Global Capital Resources Pty Ltd (GCR) has prepared the Independent Technical Report included in Section 8 of this Prospectus. GCR will receive professional fees of $60,000 for this service. During the 24 months preceding the commissioning of this report, GCR has not provided any services nor received any professional fees from the Company.

Transocean Securities Pty Ltd have been appointed as Corporate Advisor to the Company and will receive an advisory fee of $100,000 for the provision of advisory services associated with the preparation of the Prospectus and other commercial issues. During the 24 months preceding the lodgement of this Prospectus, Transocean Securities Pty Ltd has received $Nil for other professional services provided to the Company.

Link Market Services has been appointed as share registry to the Company and will be paid on normal commercial rates for the provision of these services.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of those amounts.

11.11 INVESTING IN A PAPUA NEW GUINEAN COMPANY LISTED ON ASX AND POMSOX

This section contains a summary of certain PNG and Australian company laws to assist in understanding the regulatory regime to which the Company will be subject. The comparison below is only an overview and should not be viewed as an exhaustive statement of either the relevant PNG or Australian laws.

PRINCIPAL DIFFERENCES BETWEEN INVESTING IN AUSTRALIAN AND PNG COMPANIES

Issue of shares

PNG position: Subject to the constitution of the company, when making an offer of unissued shares that would rank equally with or have priority over existing issued shares, PNG company law requires the offer of such shares be first made to existing shareholders in proportion to their shareholdings. As permitted by the PNG company law, the constitution of the Company has been drafted so that the PNG company law position as regards pre-emptive rights for the offer of unissued shares does not apply to the Company.

Australian position: The ASX Listing Rules allow directors to issue equity securities without shareholder approval (and without first offering them to existing shareholders) up to a maximum number in any 12 month period equivalent to 15% of the issued capital of the company prior to the date of issue.

Takeovers

PNG position: In PNG, takeovers of public companies are regulated by the Takeovers Code 1998 (**Code**). The Code is administered by the PNG Securities Commission.

In relation to a company that is governed by the Code, a person making an offer for securities in the company, must make a mandatory offer in compliance with the terms of the Code in certain circumstances, namely:

- where a person with no interest or an interest (be it directly or taken together with shares held by their associates) of less than 20% in the voting shares of a Code company proposes to increase their shareholding, unless after that event that person has a relevant interest in not more than 20% of the voting shares in that Code company; or
- where a person has a relevant interest of 20% or more of the voting shares in a Code company. Subject to the exceptions described below, such a person must make an offer for all of the equity shares of the company (whether voting or non-voting).
- Shareholders must be given sufficient information and advice to enable them to reach a properly informed decision regarding the offer and all shareholders of the same class must be treated equally by the offeror.

A mandatory offer need not be made to acquire between 20 to 50% of the securities in a company if:

- an exemption is obtained from the PNG Securities Commission; or
- the shares are acquired or allotted with target company shareholder approval
  The Code also provides for partial offers to occur in limited circumstances.

A person who holds 90% of the shares in a company may conduct a compulsory acquisition of all remaining shares under the PNG Companies Act.

The Code only applies to Code companies, which are relevantly defined as:

- a company that is party to a listing agreement with a stock exchange (or was party to a listing agreement with a stock exchange at any time during the past12 months)
- a company that has (as determined from the last annual return and audited financial statements)
  - total assets exceeding K5 million; and
  - more than 25 shareholders; and
  - more than 100 employees.

The allotment of new shares in the Company that will occur concurrently with the initial public offering will not be subject to the Code, as the allotment of new shares will occur before the Company's shares are listed and quoted on POMSoX and therefore before the Company becomes a Code Company.

Australian Position: The Corporations Act governs a takeover. The Corporations Act contains a general rule that a person must not acquire a 'relevant interest' in issued voting shares of a company if, because of the transaction, a person's voting power in the company:

- increases from 20% or below to more than 20%; or
- increases from a starting point which is above 20% but less than 90%.

Generally, such acquisitions cannot be made unless the person does not acquire more than 3% of the voting shares in the company in any six-month period, the acquisition is made with shareholder approval, the acquisition is made under a takeover bid made in accordance with Australian law or some other exception applies under Australian law.

Takeover bids must treat all shareholders alike and must not involve any collateral benefits. Various restrictions about conditional offers exist and there are also substantial restrictions concerning the withdrawal and suspension of offers.

The Takeovers Panel is the primary forum for resolving disputes in relation to Australian takeover offers during the bid period.

Substantial shareholdings

PNG position:

Under PNG law, a person must notify a listed company with respect to any acquisition or disposal of any interests in its share capital in the following situations:

- where they acquire an interest greater than the "Prescribed Percentage", where the "Prescribed Percentage" means either 5% or the percentage prescribed in the section;
- where they cease to have an interest greater than the "Prescribed Percentage"; and
- where they have a notifiable interest and the percentage of their interest increases or decreases by at least 1% of the total votes in that class of shares.

A notifiable interest is 5% or more of the voting shares in a company's share capital or more than 5% of the voting shares in any class of shares where the company has more than 2 share classes.

In addition a copy of any notice given to a company must also be given to both the Securities Commission and POMSoX.

Australian position:

Under the Corporations Act, any person who becomes a substantial shareholder in an ASX-listed company must give written notice in the prescribed form to the company and the ASX within two Business Days after they become aware of the information or, if there is a takeover bid for the company, by 9.30am on the next trading day of the ASX, after the person becomes aware that they have become a substantial shareholder in the company during the bid period.

A person has a substantial shareholding in a company if the person (or their associates) has a relevant interest in at least 5% of the total number of votes attached to voting shares of that company. A person has a relevant interest in a share if the person is the holder of the share, has power to exercise or to control the exercise of the right to vote attached to that share or has power to dispose of, or control the exercise of a power to dispose of, the share.

Similar notification requirements apply where a person's substantial shareholding increases or decreases by at least 1% of the total votes in the company or a person ceases to have a substantial shareholding.

Auditors

PNG position: PNG law requires shareholders to approve the appointment of a company's auditors each year, unless the company is an exempt company pursuant to a gazettal.

Australian position: There is no such provision in Australia, although shareholders are required to approve the appointment of a company's auditors at the first annual general meeting after their appointment by the board.

11.12 CONSENTS

Each of the parties referred to in this Section 11.12:

(a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section; and

(b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Hall Chadwick Corporate (NSW) Limited has given its written consent to the inclusion in this Prospectus of its Investigating Accountant's Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Global Capital Resources Pty Ltd has given its written consent to the inclusion in this Prospectus of its Independent Technical Report, and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Gadens Lawyers has given its written consent to the inclusion in this Prospectus of its Independent Solicitors' Report on the Tenements and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

a) Hall Chadwick Corporate (NSW) Limited as author of the Investigating Accountants Report;
b) PricewaterhouseCoopers as Auditor to the Company;
c) Global Capital Resources Pty Ltd as Independent Consulting Geologist;
d) HWL Ebsworth as solicitor to the Offer;
e) GJ King & Associates as solicitor to the Company;
f) Gadens Lawyers as author of the Solicitors Tenements Report;
g) Transocean Securities Pty Ltd as Corporate Adviser to the Company; and
h) Link Market Services, as the share registry to Kina.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

11.13 EXPENSES OF THE OFFER

The table below outlines the expenses of the Offer

COST		
Capital Raising Fees (based on 6% of $12.5M raised)	$	750,000
Corporate Advisory	$	100,000
Legal Fees	$	200,000
ASIC and ASX Fees	$	75,000
Independent Technical Report	$	65,000
Investigating Accountant	$	20,000
Printing and Other Costs*	$	40,000
Total Costs of the Issue	$	1,250,000

**Note: Approximately $450,000 of the costs outlined have been funded by existing cash reserves of the Company.*

11.14 LITIGATION

The Company is not involved in any material litigation or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company.

11.15 FORECASTS

The Company is involved in the oil and gas exploration industry with the ultimate intention of becoming an oil and gas production company in the medium term. Given the speculative nature of exploration, oil and gas development and production, there are significant uncertainties associated with forecasting future revenue. On this basis, the Directors believe that reliable forecasts can not be prepared and accordingly have not included forecasts in this Prospectus.

11.16 TAXATION

The acquisition and disposal of Shares in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally. To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

11.17 RESTRICTION AGREEMENTS

The Listing Rules require that certain persons such as seed capitalists and related parties, enter into restriction agreements under which they are restricted from dealing in a specified number of Shares in the Company held by them, including all of their Shares, for up to 24 months from the date of quotation of those Shares. The restriction agreements will be in the form required by the Listing Rules over a number of Shares and a period as determined by the ASX and restrict the ability of those persons to dispose of, create any security interest in or transfer effective ownership or control of the Shares. Additionally, some Shares may be voluntarily escrowed by certain parties, under similar restriction agreements with minor amendments. If Shares are escrowed, this will reduce the liquidity of the Shares.

11.18 ELECTRONIC PROSPECTUS

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with the ASIC and the issue of Shares and Options in response to an electronic application form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at info@kinapetroleum.com and the Company will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application moneys received will be dealt with in accordance with section 722 of the Corporations Act.

11.19 PRIVACY DISCLOSURE STATEMENT

The Company collects information about each Applicant from an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, (including mailing houses), ASX, ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register in some circumstances even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

11.20 DIRECTORS AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.
In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated:

Signed for and on behalf of
KINA PETROLEUM LIMITED
by Mr Richard Shroder
Managing Director

GLOSSARY

The following definitions apply throughout this document unless the context requires otherwise.

2D Seisimic	Two dimensional seismic
Applicant(s)	Person(s) who submit valid Application Forms pursuant to this Prospectus.
Application	A valid application made to subscribe for a specified number of Shares pursuant to this Prospectus.
Application Monies	Monies paid under an Application.
Application Form	The form so described relating to the Offer which accompanies this Prospectus, for completion by the public.
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532.
ASX Settlement Operating Rules	The settlement rules of ASX Settlement as amended from time to time.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691, and where the context permits, the Australian Securities Exchange operated by ASX Limited.
ASX Listing Approval	The issue by ASX of a conditional letter approving the Company's admission to the official list of the ASX on terms acceptable to the Company.
bbl/d	Barrels per day is a measurement used to describe the rate of crude oil production or consumption by an entity.
Board	The board of Directors.
Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.
BWPD	Barrels of water per day.
CHESS	The ASX Clearing House Electronic Sub-register System.
Closing Date	5:00 pm 8 December 2011.
Company or Kina	Kina Petroleum Limited ARBN 151 201 704
Companies Act	the Companies Act 1997 (PNG)
Corporations Act	Corporations Act 2001 (Cth).
Directors	The Directors of the Company.
Electronic Prospectus	An electronic version of the Prospectus.
Exposure Period	The period of 7 days after lodgement of the Prospectus which may be extended.

Issue	The issue of Shares and Options pursuant to this Prospectus.
Kina	means the lawful currency of PNG.
Kina Equivalent Price	means the Kina equivalent of $0.20 and equal to K0.47
IPA	the Investment Promotions Authority of PNG.
Listing Rules	The official listing rules of ASX.
mmbl Condensate	million barrels of condensate
MMscf/d	million standard cubic feet per day
Offer	The invitation to the public made in this Prospectus to subscribe for Shares and Options.
Official List	The official list of the ASX.
Official Quotation	The official quotation of the Company's shares on the Official List.
Option	An option to purchase a Share, exercisable at $0.20 on or before 30 November 2012.
Plan Option	An option to purchase a Share pursuant to the rules of the Kina Petroleum Limited Share Option Plan
PNG	Papua New Guinea
POMSoX	Port Moresby Stock Exchange.
Prospectus	This Prospectus and includes the Electronic Prospectus and the Application Form.
Registrar	the person for the time being holding the office of the Registrar of Companies or Deputy Registrar of Companies in accordance with the Companies Act.
Related Body Corporate	Has the meaning as in section 50 of the Corporations Act.
Section	A section of this Prospectus.
Securities Act	the Securities Act 1997 (PNG).
Securities Commission	the Securities Commission of PNG established by the Securities Act.
Security	A Share or Option.
Share(s)	Fully paid ordinary share(s) in the Company.
Shareholder	The registered holder of Shares.
tcf Sales Gas	a trillion cubic feet of gas

CORPORATE DIRECTORY

DIRECTORS

Mr John Prendiville - ***Non Executive Chairman***
Mr Richard Schroder - ***Managing Director***
Dr Ila Temu - ***Non-Executive Director***
Mr Barry Tan - ***Non-Executive Director***

COMPANY SECRETARY

Mr Peter Impey – ***Papua New Guinea***

REGISTERED OFFICE

Australian Registered Office:
c/- HWL Ebsworth
Level 14, Australia Square
264-278 George Street
Sydney NSW 2000

Papua New Guinea Registered Office:
Portion 359
Scratchley Road
Badili
National Capital District
Papua New Guinea

PRINCIPAL PLACE OF BUSINESS

Australia Head Office:
Suite 7
49-53 North Steyre
Manly NSW 2095
Tel: +612 9977 0084

Papua New Guinea Office:
Portion 359
Scratchley Road
Badili
National Capital District
Papua New Guinea

CORPORATE ADVISOR

Transocean Securities Pty Ltd
Level 5, 56 Pitt Street
Sydney NSW 2000

AUDITORS

Pricewaterhouse Coopers
6th Floor Credit House
Cuthbertson Street
PO Box 484 Port Moresby
Papua New Guinea

INVESTIGATING ACCOUNTANT

Hall Chadwick Corporate (NSW) Limited
Level 29
St Martins Tower
31 Market Street
Sydney NSW 2000

INDEPENDENT CONSULTING GEOLOGIST

Mr Nicholas Papalia
Global Capital Resources Pty Ltd
GPO Box 5244
Sydney NSW 2001

SOLICITORS

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

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

SHARE REGISTRY

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