



A Company registered in Papua New Guinea
Company Number: 1-63551

20th January 2012

Company's Announcement Office
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ASX ANNOUNCEMENT (ASX: KPL) DRILLING PROGRESS REPORT PRL 21 Elevala 2 ST1

Kina Petroleum Limited ("KPL") provides the following update on drilling operations at the Elevala 2 ST1 well as at 19th January 2012. The Elevala 2 ST 1 well is the first well in the KPL, Horizon Oil ("HZN") and Talisman Energy Niugini Limited Joint Exploration Program for 2011/12. KPL has a 15% working and paying interest in this well and in PRL 21.

KPL reported on 4th January 2012 that the Elevala-2 appraisal well had confirmed a gas/condensate zone in the primary Elevala sandstone target at a depth significantly high to prognosis. This implied that the hydrocarbon accumulation extends further to the north than expected and the joint venture decided to plug the well back to below the 9-5/8" casing shoe and drill a sidetrack to penetrate the Elevala sandstone about 650 m northeast of original well bottom hole location, with the objective of defining the northern limit of the accumulation.

The sidetrack was kicked off at a measured depth of 2,446 m on 1 January and reached a measured total depth of 3,630 m in the Toro sandstone (below the Elevala sandstone) on 9th January. Logging while drilling, sampling and pressure measurements have defined a gas-water-contact to the hydrocarbon accumulation, successfully fulfilling the primary objective of the sidetrack well. This establishes a field gas column height of greater than 50 m and further implies that the Elevala structure is full to spill point. HZN has previously advised (pre-drill) certified mean recoverable contingent resources of 302 bcf of gas and 19.3 million barrels of condensate. Based on the drilling results and the existing seismic data, the well outcome is to the high side of expectations. New seismic is currently being recorded over the Elevala, Tingu and Ketu structures (figure below) and this will have to be integrated into the existing mapping before the resource volumes are revised.

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The Elevala-2 well is located in Petroleum Retention Licence 21 (PRL 21), approximately 50 km east of the port of Kiunga on the Fly River in Western Province, PNG (see map below). The well was designed to appraise the Elevala gas/condensate accumulation, discovered in 1989-1990 by the Elevala-1 well, which flowed on test at a rate of 11.9 million cubic feet of gas and 634 barrels of 54 deg API condensate per day. The well spudded with Parker *Rig 226* on 14 November 2011 and is being operated by the HZN's wholly owned subsidiary, Horizon Oil (Papua) Limited.

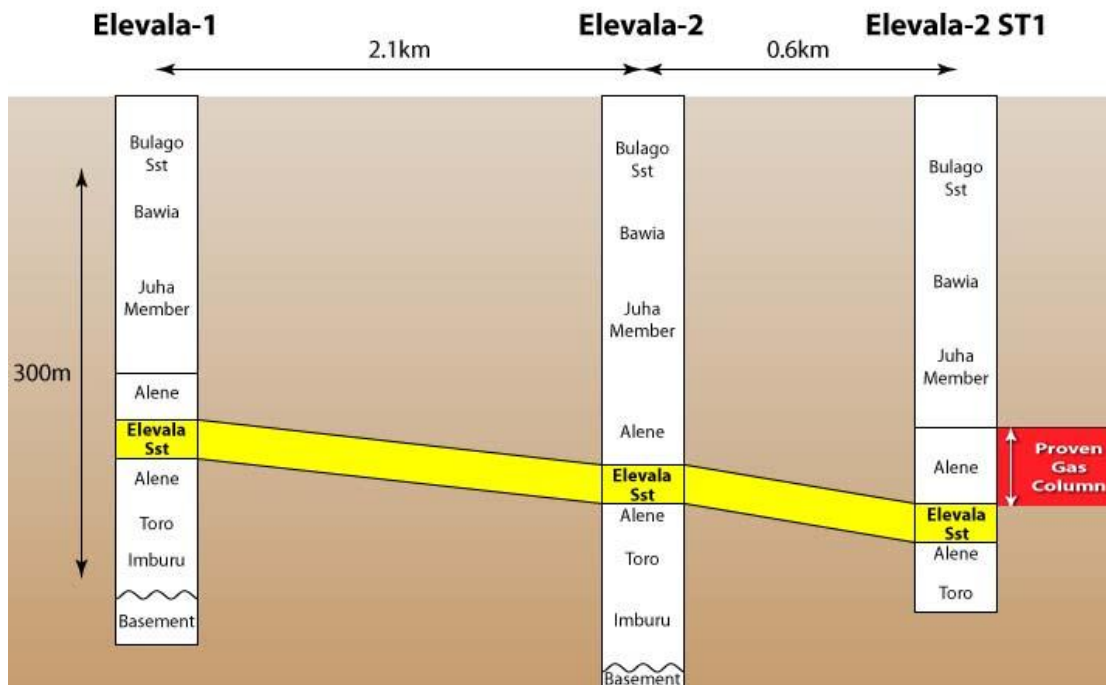
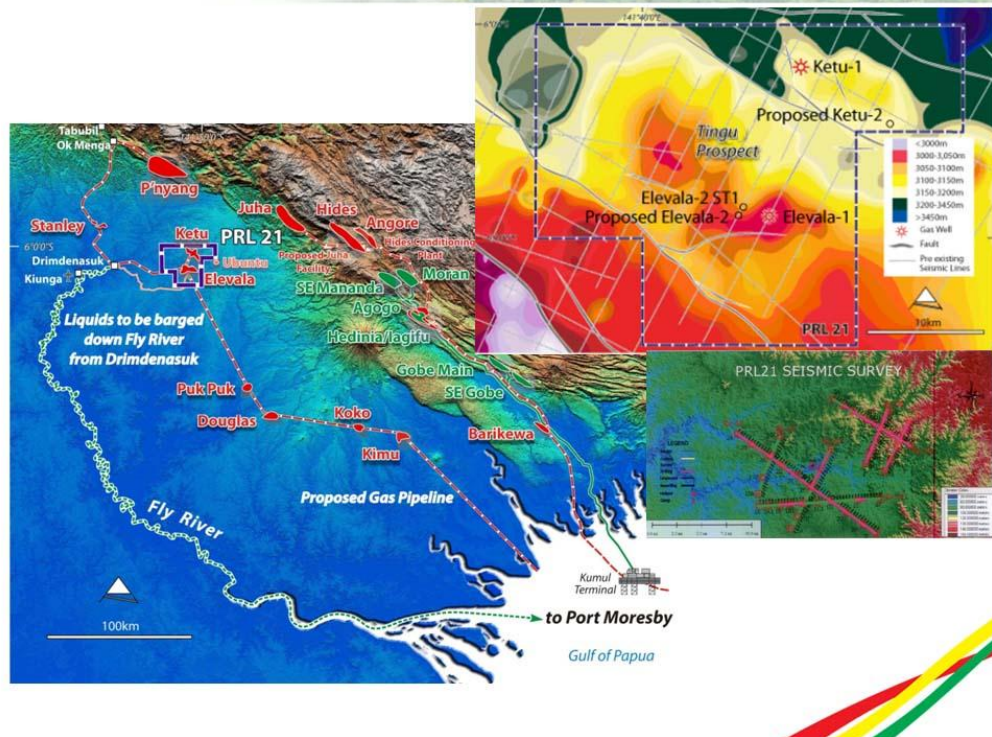
The plan now is to set plugs in the sidetrack well bore and suspend the well for possible use in the future. The surface location for drilling of the Elevala-2 well was specifically selected for this purpose. The rig will then be moved to drill the Ketu-2 appraisal/development well. Preparation of the Ketu-2 drilling site is complete and ready to receive the rig at the completion of Elevala-2 suspension operations.

Kina Petroleum's Managing Director, commented:-

"This is good result for KPL which only listed the week before Christmas. The outcome from the well is consistent with resource expectations as released by the Operator Horizon Oil and if full to spill so as to include Tingu Structure the result should improve resource estimates as quoted in KPL's prospectus. Information to be gained from the next well Ketu 2 and the new seismic data should increase the total resource estimate for the block, further improving the chance of commercializing the condensate/liquids trapped within PRL 21."

PERMIT	The Elevala 2 ST1 well is located in exploration permit PRL 21. A map showing the location of the well is set out below.
WELL LOCATION	Surface Location: Latitude: 6° 08' 54" S, Longitude: 141° 44' 33" E
KINA'S INTEREST	Kina Petroleum Limited holds a 15% interest in the well.
DATE OF PROGRESS REPORT	6.00 am 19 th January, 2012
CURRENT DEPTH	3630m
SPUD DATE	4 th November, 2011
DAYS SINCE SPUD	75
OPERATIONS SINCE LAST PROGRESS REPORT	Since the last progress report, the sidetrack was kicked off at a measured depth of 2,446 m on 1 January and reached a measured total depth of 3,630 m in the Toro sandstone (below the Elevala sandstone) on 9 th January. Logging while drilling, sampling and pressure measurements have defined a gas-water-contact to the hydrocarbon accumulation, successfully fulfilling the primary objective of the sidetrack well.
FORWARD OPERATIONS	Set plugs in the sidetrack well bore and suspend the well for possible use in the future, rig down and move to Ketu 2.

PRL 21: WELL LOCATION & SEISMIC PROGRAM



For More Information Contact
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