



ASX ANNOUNCEMENT (ASX: KPL) 4th May, 2012

DRILLING UPDATE PRL 21 Ketu 2 4th May, 2012

Kina Petroleum Limited ("**KPL**") is pleased to announce that the operator of PRL 21, Horizon Oil, had previously advised that the Ketu-2 well was being completed for future service as a producer or gas re-injection well, after sampling of the target Elevala sandstone had recovered liquids-rich gas with no water. Since the last report, 7" liner was run and set at a measured depth of 3,782 m. A 5½" chrome completion string was run and a Christmas Tree installed on the wellhead.

Last night the lower 9 m of the Elevala sandstone was perforated and opened directly to flare at 8 am today (see photographs below). The well flowed gas to surface within 15 minutes of opening and is currently cleaning up at a rate of over 20 million standard cubic feet per day through a 48/64" choke. The flowing wellhead pressure is 2,600 psi and continuing to increase as the well cleans up. The gas does contain condensate, which cannot be measured accurately at this stage, but is expected to be in line with the condensate gas ratio observed at Elevala-1 of about 60 barrels per million cubic feet of gas. No formation water has been observed in the test.

Kina Petroleum's Managing Director, commented:-

"KPL is extremely pleased with the results of Ketu 2, particularly as this well was designed to be a water test and the results have confirmed the presence of movable wet gas, in a zone that the Company had expected to be water bearing and this is well in excess of our expectations pre-drill"



The forward program is to establish a stable maximum gas rate and then perform a multi-rate test to establish the well capacity profile. Then a retrievable plug will be set and the well suspended until required for further testing and service.

The Ketu-2 well spudded with Parker *Rig 226* on 6 March 2012 and is being operated by Horizon Oil (Papua) Limited. It is located in Petroleum Retention Licence 21 (PRL 21), approximately 65 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 Ketu gas/condensate accumulation in the Elevala sandstone, discovered in 1990-1991 by the Ketu-1 well, at a location 8.9 km southeast of the Ketu-1 discovery well to determine the extent of the accumulation in that direction and the level of trap fill (Fig 1 below).

Ketu 2 comprises the second phase of 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. Horizon, with 45%, is operator of the Licence.

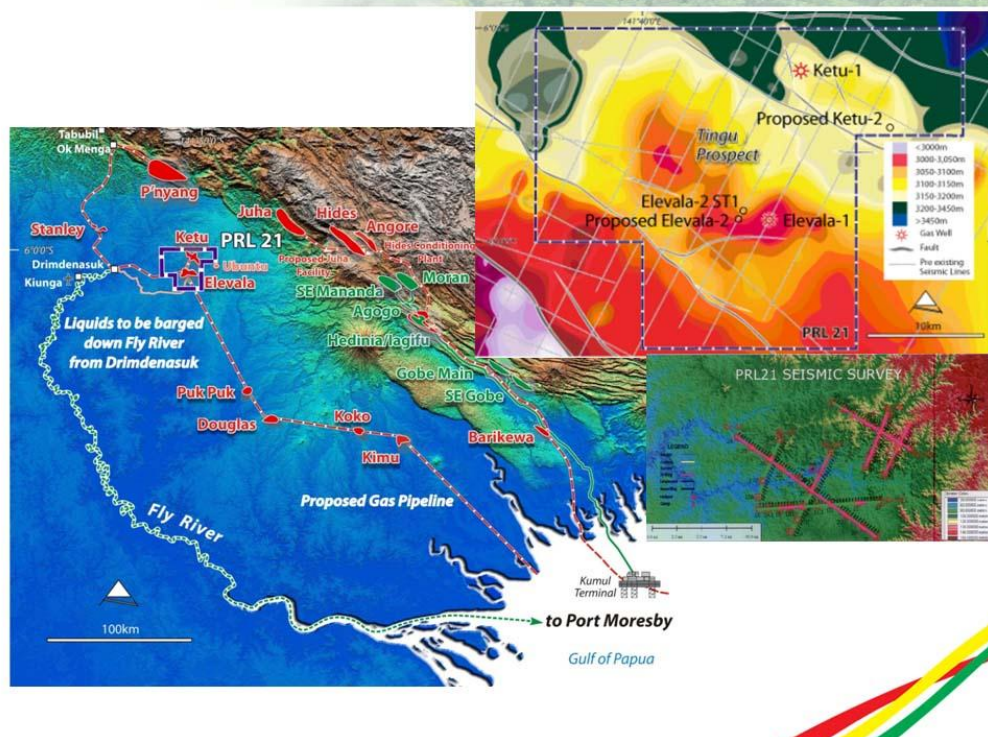
The Ketu-1 ST1 well, drilled in 1990/1991 by BP Exploration, discovered gas in the Early Cretaceous Elevala Sandstone of the Alene Member. Petrophysical and RFT analysis confirmed the discovery of a 12m gas/condensate zone. No GWC was intersected. The Ketu structure is in close proximity to the Elevala structure and in the event of a commercial development, will allow produced Ketu gas to be piped back and processed at a proposed Elevala condensate stripping facility, removing the cost of establishing a separate processing facility for the Ketu development.



Ketu-2 on clean up flow 2 hours into test



PRL 21: WELL LOCATION & SEISMIC PROGRAM



Further information on the Company is available at:
<http://www.kinapetroleum.com/>

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