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ASX ANNOUNCEMENT (ASX: KPL) 23 December, 2013

Kina Petroleum awarded a 25% interest in PRL 38, Pandora Gas Fields

Kina Petroleum Limited (“KPL”) is pleased to announce it has been awarded a 25% interest in the newly released Petroleum Retention Licence 38 (PRL 38), located offshore Papua New Guinea.

The license comprises nine graticular blocks covering approximately 765 km^2 and includes the Pandora gas discoveries which are estimated to contain 800 BCF of gas.[1] KPL’s share of this, approximately 200 BCF, significantly increases its contingent gas resource.

These discoveries are located approximately 235km west of Port Moresby in the Gulf of Papua in the former PRL 1, which was initially awarded on 20 February 1998 for a period of five years and was subsequently extended for a further two 5-year periods before expiring in February 2013.

Kina was part of a bidding consortium including Talisman Energy Niugini Limited (Operator), Barracuda Limited (subsidiary of Santos Limited) and Wondecla Limited (a subsidiary of Cott Oil & Gas Limited) that bid for the License pursuant to a bid process undertaken by the PNG government.

As part of the bid finalisation process, Kina negotiated with Wondecla to acquire an additional 5% participating interest in PRL 38 from part of the interest that had been originally offered to Wondecla. In consideration for this additional interest, Kina has agreed to issue 10 million fully paid ordinary shares to Wondecla. It has been agreed that these shares will be subject to a voluntary escrow arrangement of 6 months from the date of issue.

[1] Based on the most recent publically available 2C contingent resource estimate, as published by Oil Search in its 2012 Annual Report and who at that time held a 24.09% interest in the Pandora resource.

The purchase of this additional interest through a scrip based, rather than cash, transaction brings Kina to its preferred level of equity amongst its Joint Venture partners in this strategically important licence.

At completion of the award process and after KPL's additional acquisition from Wondecla of an additional 5%, the Joint Venture partners in PRL 38 and their respective participating interests are as follows:

Talisman Energy Niugini Limited (Operator)	25%
Barracuda Limited[2]	10%
Wondecla Limited[3]	40%
Kina Petroleum Limited	25%
	100.00%

PRL 38 Licence Obligations

The PRL 38 licence obligations include:

- further geological and geophysical studies;
- development and commercialisation studies;
- engineering and environmental studies; and
- the drilling of a well during the licence term.

These work commitments reflect the Joint Venture's intent to develop the existing and potential future gas resource. Kina's share of the firm commitments for the first four years totals $0.75m and is considered easily manageable. A commitment well will be drilled in the 5th year of the licence.

PRL 38 Location

A map showing the location of the PRL 38 licence and KPL's other acreage is shown overleaf:

[2] Subsidiary of Santos Limited
[3] Subsidiary of Cott Oil and Gas Limited

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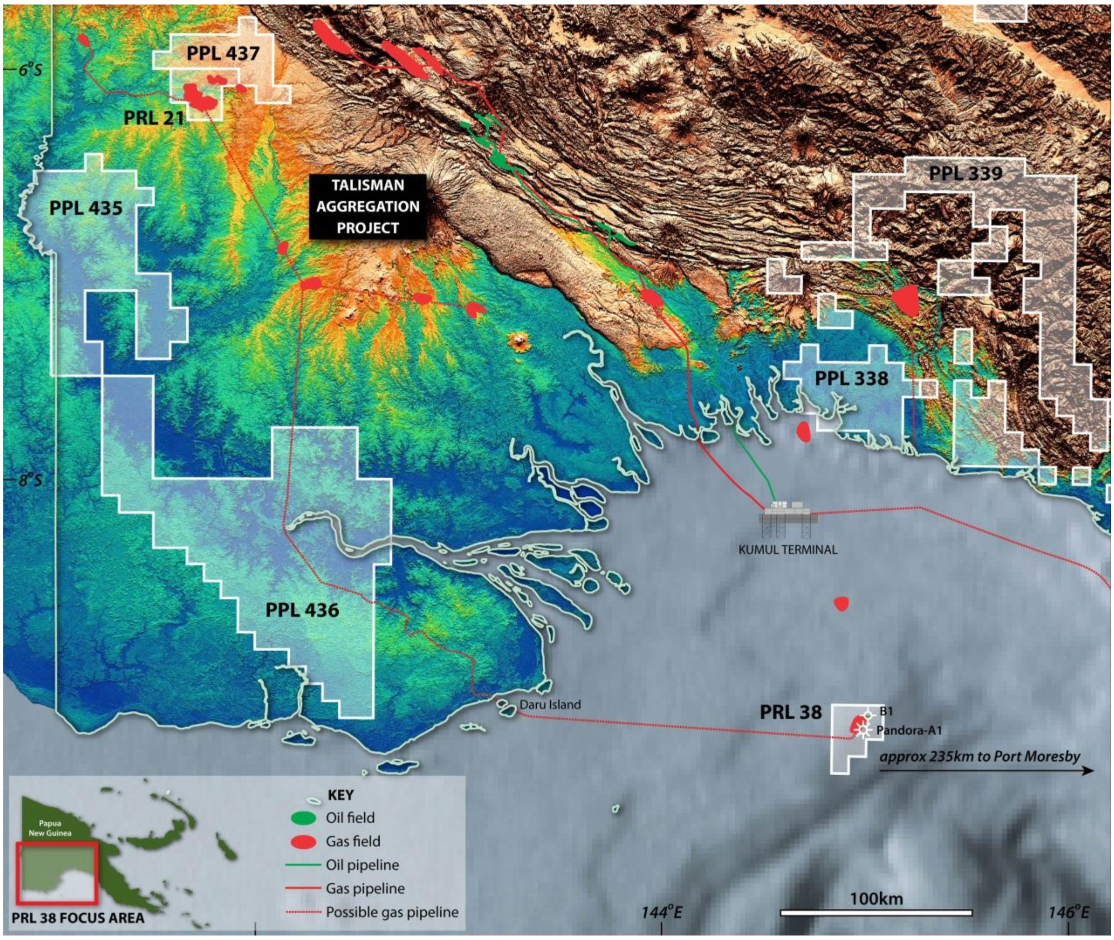

Pandora Gas Discoveries

The structure containing the Pandora A discovery is a Miocene aged reef build up that was tested by the Pandora 1X well drilled by International Petroleum Corporation in 1988. The well encountered gas at 1,392 m TVD and a potential gas water contact at 1,669m TVD indicating a 278m gas column. The gas leg in the well was tested and flowed dry gas at 57 mmscfd.

The structure containing the Pandora B discovery was tested by the Pandora B-1X well in 1992 by ICL. The top reservoir was encountered at 1,559 m TVD and the well drilled through the limestone reservoir interval with partial returns and zones of total

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losses. Interpretation of cased hole logs show a potential gas water contact at 1,669 m TVD and a gas column of approximately 110m. The gas leg was tested and flowed dry gas at 43.1 mmscfd.

The carbonate geology and excellent flow rates provide confidence that the reservoirs can be produced economically and will therefore be of great value as either a stand-alone project or when integrated into an alternative development.

Development Options

Kina sees the location of the PRL 38 gas resource as strategically valuable to both its Western Province assets in PRL 21 and future potential developments in the Gulf Province adjacent to PPLs 338 and 339.

The PRL 21 drilling program over the last 2 years has confirmed gross gas quantities of approximately 1.2 TCF[4] in that licence, and the material PRL 38 resource, in the event of aggregation with PRL 21 and other Western Papuan Basin resources, has the capacity to bring forward the commercialisation of both licences' gas resources.

PRL 38 is also well located with respect to potential gas resources located in and around PPLs 338 and 339 where KPL has been undertaking a seismic acquisition program in close proximity to the recently successfully drilled Triceratops wells. Kina is confident that further drilling in these areas may result in the discovery of additional gas assets that could be commercialised via aggregation in a LNG development on the Gulf Province coast.

Kina Petroleum's Managing Director, Richard Schroder, commented:

"KPL's interest in the PRL 38 licence sees the company's gas resource almost double, but equally importantly, it strategically complements the company's existing acreage in both the Western Province and Forelands. We see this as invaluable given the existence of material discoveries in these regions and the prospectivity of our acreage in nearby areas.

The emergence of mid-scale LNG development options, as well as an increasing demand for power, not merely in Papua New Guinea but also in neighbouring countries, also brings the licence's existing and potential future resources into focus.

[4] Gross combined 2C contingent resource at Elevala and Ketu of 795BCF, plus a P50 prospective resource of approximately 400 BCF at Tingu

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The focus of KPL and its partners in the PRL 38 joint venture – Talisman, Santos and Cott – will be to investigate the development and commercialisation options for the licence along with furthering the understanding of the licence's prospectivity"

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