



ASX ANNOUNCEMENT (ASX: KPL) 7 December 2017

Farmout of PPL 339

Kina Petroleum Limited (“Kina”) is pleased to provide an update in relation to activities in the PPL 339 licence.

Kina has entered into a farmin agreement with Santos Limitedⁱ (“Santos”) which will see Santos acquire a 20% participating interest in PPL 339 licence and joint venture. Kina will retain a 10% participating interest in the licence and joint venture.

The farmout is consistent with Kina’s policy of limiting its exposure to early stage exploration activity and will potentially provide coverage for Kina’s share of expenditure on the first well drilled in the prospect. The key features of the agreement are:

- Santos will acquire a 20% participating interest with effect from 6 December 2017;
- Kina will retain a 10% participating interest;
- Santos to acquireⁱⁱ a portion of Kina’s remaining well cost carry for \$825,000, payable on receipt of requisite joint venture and government approvals;

Kina is entitled to a partial carry of well costs from Oil Search. That carry is in excess of the 10% participating interest that Kina would retain under this present farmout. The excess amount is the portion that will be acquired by Santos;

- Santos to reimburse part of Kina’s share of any pre-drilling geophysical costs.
- Santos has the option to return the acquired interest to Kina, at no cost to Kina, after assessing the results of the pre-drilling geophysical work and ahead of the first well, with drilling expected in 2019.
- With a 10% participating interest share at the time the first well is drilled, Kina will be fully covered up to an agreed amount of gross well costs (under the terms of the existing carry from Oil Search), and will be reimbursed by Santos for a portion of pre-drill costs already incurred

The farmin is subject to customary government approvals as well as consents and approvals by joint venture partners. The farmin is also subject to extension of the licence. Oil Search Limited, as licence operator, continues to work with the PNG Department of Petroleum and Energy to progress the extension.

PPL 339 contains a large target that lies in a natural drainage path out of the Aure trough, however elements of the prospect are high risk. Kina has nonetheless high-graded this area on the basis of abundant oil and gas seeps and vintage seismic data. Aerogravity data confirms that a very large structural feature reaches a crest at Kalangar and, by analogy with Antelope / Triceratops, gravity data has inferred the presence of a large carbonate reef of Kalangar.”

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ⁱ Kina’s agreement is with Barracuda Limited, a wholly owned subsidiary of Santos.

ⁱⁱ Subject to Oil Search consent.

ⁱⁱⁱ The licence boundaries shown are those applied for as part of the extension process. At the date of this release, these boundaries are expected to be included in the final licence document granted by the Minister of Petroleum in Papua New Guinea.