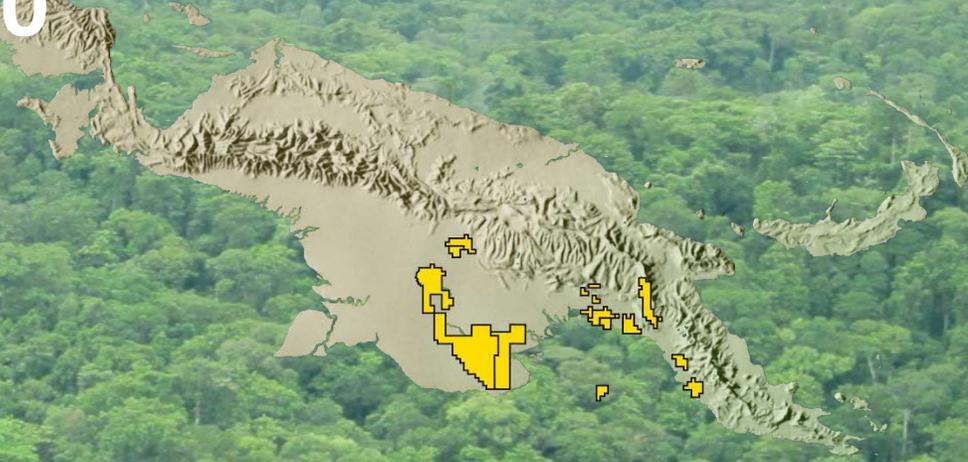




# Kina

PETROLEUM CORPORATION

General Meeting  
31<sup>st</sup> December 2020



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On behalf of the Directors of Kina Petroleum Corporation, I am pleased to welcome you to the 2020 Extraordinary General Meeting of the Company.

At today's meeting I propose to give a brief Chairman's address to discuss the reasons for and the implications of the proposed delisting from the ASX and PNGX as well as the share buy back and capital return. I will then put the resolutions to the meeting for voting and close the meeting.

In attendance today from the Company we have:

Mr. David Vance:	Non-Executive Chairman;
Mr Richard Schroder	Managing Director
Mr Alain Vinson	Non-Executive Director;
Mr Barry Tan	Non-Executive Director;
Dr Ila Temu	Non-Executive Director;
Mr John Chan:	PNG Operations Manager; and
Mr Geoff Walker:	Chief Financial Officer.

- Kina Petroleum Corporation (the Company) has requested and received approval from each of ASX Limited (ASX) and the Port Moresby Stock Exchange (PNGX) to remove its ordinary shares (Shares) from the official lists of ASX and PNGX, respectively (the Delistings), subject to complying with certain conditions described in the attached Notice of Meeting.
- In conjunction with the Delistings, the Company is proposing to use an amount of up to \$1.28 million of its available cash resources (Buy Back Cash Reserve) to offer and undertake an off market buy back of its Shares (Share Buy Back), which will allow Shareholders the opportunity to sell up to all of their Shares to the Company. After the Delistings occur, the directors of the Company propose to return a portion of the remaining funds from the Buy Back Cash Return (following the Share Buy Back to Shareholders) by way of an equal capital reduction (Capital Return).

- The directors' objective in offering the Share Buy Back and the Capital Return is to facilitate an equitable, efficient and orderly market in the Shares up to the date of the Delistings. The Share Buy Back allows Shareholders to exit all or some of their investment in the Company, while the Capital Return will assist to ensure Shareholders who wish to remain invested in the Company after the Delistings are not disadvantaged by not participating in the Share Buy Back.
- The Delistings, the Share Buy Back and the Capital Return all require Shareholder approval. Accordingly, the board of directors of the Company has convened a general meeting of members of the Company on Thursday, 31 December 2020 at 10.00 am (AEST time) to consider the necessary resolutions. The Delistings in particular will have a fundamental impact on the protections you enjoy as a Shareholder and your ability to trade in the Shares. You are encouraged to ask questions of your directors about this important step in the Company's life cycle.

The Company's board of directors considers the Delistings to be in the best interests of the Company and its Shareholders for the reasons summarised below:

- a) **Small trading volumes having disproportionate effect on Share price** - In the 18 months since relisting, the Shares traded on only 36 days and the Share price declined from \$1.80 to \$0.38 based on the trading of 232,710 Shares, or less than 2% of the outstanding Shares. The low liquidity creates significant volatility in the Share price from limited trading with a disproportionate impact on the Share price. The Board believes that this phenomenon results in a Share price that is not reflective of the true value of the Company.
  
- b) **Inability to raise capital at prices reflective of underlying asset value** - The Board consider that, while the Shares remain listed on ASX and PNGX and trading at a significant discount to that of comparable companies with high price volatility, the prospects of raising funds on ASX or PNGX at a price commensurate with underlying value are poor and any future capital raising at current market prices will have a very significant dilutionary impact on all Shareholders.

- c) **Minimal liquidity and investor interest due to highly concentrated shareholdings** - The Company's share register is highly concentrated. At present, approximately 86% of the Shares are held by the top 20 Shareholders, most of whom the Company believes to be long term investors without intent to reduce their respective holdings for the foreseeable future. As a result, there is very limited liquidity in the Shares, and the Board believes it is unlikely that there will be any substantial increase in liquidity in the foreseeable future. The Board is of the view that this concentration of ownership amongst a relatively small number of Shareholders and consequent limited 'free float' of the Company's Shares on ASX and PNGX limits investor interest in trading the Shares via ASX or PNGX.
- d) **High ongoing costs** - In view of the foregoing, the Board believes that the financial, administrative, and compliance obligations and costs associated with, and executive time involved in, maintaining the ASX and PNGX listings outweigh the benefits of the continued listings and so can no longer be justified. This is particularly the case given the ongoing low trading volumes in the Shares. Furthermore, the savings arising from the Delistings could be better directed elsewhere to benefit the Shareholders.

With the significant drop in oil price and the Covid-19 overhang there has been a number of significant changes to the PNG corporate landscape particularly in Western Province. Hundreds of millions of dollars' worth of investment have been made evaluating discoveries in the foreland of Western Province and, with the withdrawal of Repsol, Horizon and Osaka Gas, the Company sees new opportunities materialising and continues to evaluate opportunities (including corporate transactions) to enhance value to our Shareholders. There is no certainty that any of these opportunities will come to fruition or, if any of them does come to fruition, that it will generate the anticipated returns for shareholders. Shareholders should therefore exercise caution when deciding whether or not to participate in the Share Buy Back (if it is approved by Shareholders at today's general meeting of members of the Company).

[QUESTION TIME]

Thank you. We will now move on to consider the formal components of the AGM.

**For inquiries please contact:**  
**Richard Schroder, Managing Director**  
**Telephone: +61 2 8247 2500**  
**Email: [richard.schroder@kinapetroleum.com](mailto:richard.schroder@kinapetroleum.com)**

## **Authorisation**

This ASX announcement is approved and authorised by the Board