



## **ASX ANNOUNCEMENT (ASX: KPE) 31 December 2020**

### **General Meeting – Chairman’s Address**

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

#### **Delisting of 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 and its accompanying Explanatory Memorandum.

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 have convened this Meeting 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, so we are delighted to welcome those of you in attendance and we encourage you to ask questions 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 from relisting to the announcement of the intention to delist, 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 exploration landscape particularly in Western Province. Hundreds of millions of dollars' worth of investment have been made evaluating discoveries in the foreland of Western Province. Repsol, Horizon and Osaka Gas have recently withdrawn from the region, and 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 Meeting).

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Authorised for release by the board.

