

CHAIRMAN'S ADDRESS

KAML 2012 Annual General Meeting

Good morning and welcome to this important annual general meeting.

This morning I wish to expand on my comments made in the formal presentation of the 2011 annual report for KAML when I said we live in exciting times. Papua New Guinea has, in the face of global economic turmoil, has seen some of its most economically productive periods since our independence. Kina Asset Management Limited (KAML) is proud to not only contribute, but participate in the development of the burgeoning financial markets of PNG. KAML also serves to offer Papua New Guinean investors an opportunity to participate in the international markets through its 60/40 inclination toward international asset.

The KAML portfolio has in the last year has experienced some negative growth in line with world markets as the larger economies of Europe and the United States of America endure high unemployment, sluggish markets and low business and consumer confidence. The European nations of Portugal, Ireland, Italy, Greece and Spain saw their credit rating deteriorate and concerns of sovereign defaults sent shocks through global markets. Despite a series of economic interventions by their respective governments and financial institutions, international market conditions continue to struggle and remain volatile. The nations that had dominated the world in terms of trade and industrial development have suffered dramatic economic calamities as their domestic economies have suffered and in many cases failed because of instability.

The KAML investment portfolio contracted 24%, or approximately K12 million with the A&P/ASX 50 down 13.14% and the KSI down 22% in the 2011 year. The decrease in the portfolio value has been attributable to these international factors as well as the strong appreciation of the PNG Kina against other major currencies, contributing further to the negative impact on the international investment portfolio. KAML recorded a Net Loss after Tax of K9.43 million for the year ending 31 December 2011.

PNG has been fortunate enough to remain relatively unscathed from the effects of the global financial crisis and the slow recovery affecting the larger more developed economies of the world. Whilst it can be said that we are not immune to the global slowdown, the situation does provide us with an opportunity to learn from these challenges faced by the US and Europe.

However the economic and financial turbulence in Europe and the US has allowed the epicenter of global market forces to shift closer to home with the larger developing economies of China, India and Malaysia emerging as the new dominant market forces, building and supplying the needs of a global market. These nations have been supportive of the growth and stability of PNG and to help our nation expand quickly in sharing the mineral and energy boom in the Asia Pacific region such as our very own LNG Projects. The PNG Government and Central Bank in their efforts to assist in the reigning in of domestic inflation have continued to tighten monetary policy and bolster the PNG economy.



PNG has been working with new emerging global giants, the nations of Asia who have not been adversely impacted by the GFC and nations that recognize that they need to provide new opportunities for their vast populations of people, who like many groups in PNG, were confined to isolated villages and towns. It is exciting times for us here in Papua New Guinea as we have the opportunity to play a role in the recovery of the world's economy.

We in PNG are in the right part of the world, for the global financial recovery continues to take place in key sectors such as the Asia and the South Pacific, but splutters and gets bogged down with fears and uncertainty in a number of northern hemisphere countries. The PNG economy is forecast to experience continued strong growth, underpinned by the commencement of the PNG LNG project and a second and possibly third train of LNG in the pipeline. Real GDP growth is forecast to be 8.0% in 2012. This will be supported by the LNG project with an estimated 3% contribution to growth whilst the International Monetary Fund (IMF) projects the global economy to 3.1% in 2012 being largely carried by the emerging and developing economies of the world.

Although there have been some positive signs of a continued effort by world leaders in the Eurozone and the US to structurally reform their economies there has been periods of volatility that threaten to unwind positive steps taken by these world leaders and central banks.

Although action by policymakers in Europe and elsewhere has helped to reduce vulnerabilities and restore confidence in international markets, risks of a renewed upsurge of the crisis in Europe continue to loom large, along with geopolitical uncertainties affecting the oil market.

Kina Asset Management will continue its commitment to provide investors with the chance to participate in investment in Papua New Guinea and the Asia Pacific region which present investment opportunities and the prospect of capital growth. The KAML first quarter report showed portfolio value growth of 5.8% over the final 2011 quarter to a total of K39.6 million. KAML generated an investment gain of K2.38 million in the first quarter ending on March 31, representing gain of 6.2%. The 2012 year has also seen the inclusion of Credit Corporation as a major shareholder. We would like to welcome CCP and hope that their involvement with the Company will be mutually beneficial to all going forward.

We at Kina Asset Management will continue to strive to deliver long term investment returns for our investors and believe that we are well positioned to do so despite the continued uncertainty in the global environment. KAML wants to be in the action to and I believe that we have the strategies and the investments that will sustain good growth for investors and provide long term benefits to investors.

I am also pleased to advise that a significant number of the Company Shareholders voted online this year and I will encourage all Shareholders that have not yet visited the website to do so and to register their information online



I thank you for your time this morning.

Sir Rabbie Namaliu GCL, CSM, KCMG
Chairman

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