Kairiki Energy Limited

ABN 34 002 527 906

ANNUAL REPORT 2018

Corporate Directory

Directors
Campbell Welch
Scott Brown
Robert Downey

Company Secretary
Wayne Kernaghan

Registered and Principal Office
Level 3
32 Walker Street
North Sydney NSW 2060

Telephone: (02) 9955 4008
Facsimile: (02) 9954 6408

Website: www.kairikienergy.com

Share Registry
Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
Perth WA 6000

Investor enquiries:
Telephone: 1300 557 010
(08) 9323 2000
Facsimile: (08) 9323 2033

Auditor
Rothsay Chartered Accountants
Level 1, Lincoln House
4 Ventnor Avenue
West Perth WA 6005

Securities Exchange Listing
ASX Limited
ASX Code: KIK

Corporate Summary

The Company's securities were suspended from trading on 27 May 2016 due to the inability of the Company to find a suitable investment opportunity within the six month timeframe set by the ASX to re-comply with Listing Rule 12.1.

To be reinstated on the ASX, the Company will be required to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules. Depending on the nature and scale of the proposed transaction, this may require shareholder approval.

During the year the Company continued to investigate a number of opportunities with a view to reinstating its securities to trading on the ASX as quickly as possible.

Subsequent Event

On 19 July 2018 the Company announced to the ASX that it had executed a conditional agreement to acquire 100% of a number of automotive business collectively known as the RPM Automotive Group ("RPM Group"). The transaction is subject to the successful completion of due diligence by both parties.

The RPM Group offers a nationwide footprint focusing on wholesale distribution and retail of tyres, auto parts and accessories and owns a variety of well-known and respected brands in the automotive market. The RPM Group is a group of unlisted businesses operating in the Australian automotive aftermarket.

The Company will prepare a Notice of General Meeting which will be sent to shareholders.

Directors' Report

Your Directors present their report on Kairiki Energy Limited ("Kairiki" or "the Company") and its controlled entities ("the Group") for the year ended 30 June 2018.

DIRECTORS

The names of the Directors of the Company in office during the financial year and up to the date of this report were as follows. Directors were in office for the entire year unless specified otherwise.

Campbell Welch
Scott Brown
Robert Downey

INFORMATION ON CURRENT DIRECTORS

Campbell Welch
B.Com
Non-Executive Chairman

Mr Welch has over 15 years of experience in accounting and financial markets, both in Australia and the UK. He is currently a senior advisor at Novus Capital Ltd, a boutique corporate advisory and share dealing firm headquartered in Sydney, Australia. His prior work experience includes appointments at AMP, Challenger Ltd, Royal London Asset Management and Colonial First State. He holds a Bachelor of Commerce from the University of Sydney and is a candidate in the CFA Institute program.

During the past three years, Mr Welch has held the following other listed company directorships:
- Shine Metals Limited (27 September 2017 to present)

Scott Brown
B. Bus, M. Com
Non-Executive Director

Mr Brown has extensive experience in finance and the management of public companies including guiding numerous companies through the listing process. He has held a variety of executive roles in public companies including Mosaic Oil NL, Objective Corporation Limited, Turnbull & Partners Limited, Allegiance Mining NL, FTR Holding Limited and Garratt's Limited. He also worked at accounting firms EY and KPMG. He is a member of the Institute of Chartered Accountants in Australia and the Petroleum Exploration Society of Australia (PESA). Currently he is the managing director of Real Energy Corporation Ltd (RLE).

During the past three years Mr Brown has held the following other listed company directorships:
- Real Energy Corporation Ltd (2 October 2009 to present)
- IOT Group Limited(formerly Ardent Resources Ltd) (1 April 2010 to 7 August 2017)
- Shine Metals Limited (27 September 2017 to present)

Robert Downey
B.Ed, LL.B (Hons)
Non-Executive Director

Mr Downey is a qualified solicitor who has practised mainly in the areas of international resources law, corporate law and initial public offerings as well as mergers and acquisitions. He has extensive experience as an adviser, founder and director of various ASX, TSX and AIM companies. Mr Downey is currently a principal of Dominion Legal, a boutique law firm in Perth.

During the past three years Mr Downey has held the following other listed company directorships:
- Mount Ridley Mines Limited (8 September 2014 to 31 August 2016)
- Minrex Resources NL (8 September 2014 to 29 January 2018)
- Calima Energy Limited (15 September 2015 to 25 August 2017)
- Metalsearch Limited (18 October 2016 to present)

COMPANY SECRETARY

Wayne John Kernaghan
BBus, ACA, FAICD, ACIS

Mr Kernaghan is a member of the Institute of Chartered Accountants in Australia with a number of years' experience in various areas of the mining industry. He is also a Fellow of the Australian Institute of Company Directors.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS
The relevant interest of each Director in the shares and options of the Company at the date of this report is as follows:

Campbell Welch
- 1,269,800 ordinary fully paid shares

MEETINGS OF THE COMPANY'S DIRECTORS
The number of meetings of the Company's Directors held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

	Number Attended	Maximum Possible
Campbell Welch	3	3
Scott Brown	3	3
Robert Downey	3	3

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES
The principal activity of the Company during the financial year was the evaluation of new business ventures.

OPERATING AND FINANCIAL REVIEW

Operating Activities
A review of the operations of the Group is contained in the Operations Review.

Summary of Comprehensive Income
The Group's consolidated loss after tax for the financial year was $121,352 (2017: loss of $146,388).

Earnings per Share
The basic and diluted loss per share from continuing operations was 0.04 cents (2017: loss of 0.05 cents).

Summary of Financial Position
At 30 June 2018 the Group's cash reserves were $158,371 (2017: $263,804).

Dividends
No dividend was paid or declared by the Company in the period since the end of the previous financial year and up to the date of this report.

CHANGES IN THE STATE OF AFFAIRS
In the opinion of the directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD
No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years other than:

On 19 July 2018 the Company announced to the ASX that it had executed a conditional agreement to acquire 100% of a number of automotive business collectively known as the RPM Automotive Group ("RPM Group"). The transaction is subject to the successful completion of due diligence by both parties.

The RPM Group offers a nationwide footprint focusing on wholesale distribution and retail of tyres, auto parts and accessories and owns a variety of well-known and respected brands in the automotive market. The RPM Group is a group of unlisted businesses operating in the Australian automotive aftermarket.

The total notional consideration paid by the Company to the RPM Group (excluding the Earnout shares) is 103,600,000 Shares (Post consolidation) at $0.20 per share which gives equity consideration of $20.72 million and $1.8 million in cash for a total consideration of $22.52 million. As part of the transaction the company will undertake a share consolidation on a 1:37 basis and the raising a minimum of $5m via the issue of shares to investors.

The acquisition is deemed a significant change in the nature and scale of the Company's activities and will require shareholder approval under Chapter 11 of the ASX Listing Rules. Also, the Company's securities will remain suspended until the Company has re-complied with Chapters 1 and 2 of the Listing Rules. The ASX retains absolute discretion in deciding whether to re-admit the Company to the official list and to quote its securities. If any of these requirements are not met or the ASX exercises its discretion not to re-admit the Company's shares to trading on the ASX then the transaction may not proceed.

The Company will prepare a Notice of General Meeting which will be sent to shareholders.

FUTURE DEVELOPMENTS
Kairiki intends to acquire the RPM Group as announced subsequent to the end of the financial year which will involve the Company being focused on wholesale distribution and retail tyres, auto parts and accessories. The transaction will require the approval by shareholders in a General Meeting.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements for Directors and Executives of Kairiki Energy Limited. The information provided in the remuneration report includes remuneration disclosures that are audited as required by section 308(3C) of the Corporations Act 2001.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report the term "Executive" includes those key management personnel who are not Directors of the parent company.

Remuneration Committee

The full Board carries out the role and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Managing Director and any Executives.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice.

A. Remuneration policy

Directors' fees were suspended until further notice from 1 April 2016.

The board policy is to remunerate Directors at market rates for time, commitment and responsibilities. The board determines payments to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of Directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. The Company's aim is to remunerate at a level that will attract and retain high-calibre Directors and employees.

Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholders' interests, the Directors are encouraged to hold shares in the Company.

All remuneration paid to directors is valued at the cost to the Company and expensed.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

The Company did not pay any performance-based component of remuneration during the year.

B. Remuneration structure

In accordance with best practice corporate governance, the structure of Non-Executive Director compensation is separate and distinct.

Non-Executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the Annual General Meeting held in October 1996 when shareholders approved an aggregate compensation of $150,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board may consider advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with ASX listing rules. The Board is of the view that options are a cost effective benefit for small companies such as Kairiki that seek to conserve cash reserves. They also provide an incentive that ultimately benefits both shareholders and the option holder, as option holders will only benefit if the market value of the underlying shares exceeds the option strike price. Ultimately, shareholders will make that determination.

Separate from their duties as Directors, the Non-Executive Directors may undertake work for the Company directly related to the evaluation and implementation of various business opportunities, for which they receive a daily rate. These payments are made pursuant to consultancy arrangements entered into by the Non-Executive Directors with the Company and are not taken into account when determining their aggregate remuneration levels.

Executive Compensation

Objective

The entity aims to reward Executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward Executives for company and individual performance against targets set by appropriate benchmarks;
- align the interests of Executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of Executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable Executive roles.

The Company's only Executive during the years ended 30 June 2018 and 30 June 2017 was the Company Secretary, who received fixed remuneration.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the oil and gas industry and external advice.

The fixed remuneration is a base salary or monthly consulting fee.

C. Service agreements

There are no formal service agreements with the Non-Executive Chairman or Non-Executive Directors. On appointment to the Board, all Directors receive a letter of appointment that summarises Board policies and terms, which mirror those set out within the Corporations Act 2001 relevant to the office of Director.

D. Company performance

In determining Key Management Personnel remuneration, the Board takes note of the following measures of company performance in respect of the current and previous four financial years.

	2018	2017	2016	2015	2014
Profit/ (loss) after tax (A$'000)	(121)	(146)	885 (i)	(2,206)	(4,467)
Closing share price (A$)	0.008 (ii)	0.008 (ii)	0.008 (ii)	0.003	0.008

(i) The profit for the year ended 30 June 2016 resulted principally from a gain on disposal of the Company's former subsidiary Yilgarn Petroleum Philippines Pty Ltd.

(ii) The Company's shares were suspended from official quotation on 27 May 2016. The last traded price was $0.008.

E. Details of remuneration for year

Details of Key Management Personnel are set out below.

Directors

Campbell Welch	Non-Executive Chairman
Scott Brown	Non-Executive Director
Robert Downey	Non-Executive Director

Remuneration

The remuneration of each Director and named executive officer of the Company, including their related entities, during the year was as follows:

		Short Term Benefits		Post Employment	Share-based Payments	Termination payments		
	Year	Salary and consulting fees $	Director fees $	Superannuation $	Options $	$	Total $	Remuneration consisting of options %
Directors								
C Welch Appointed 23/3/2017	**2018** 2017	**10,000** -	**-** -	**-** -	**-** -	**-** -	**10,000** -	**-** -
S Brown Appointed 6/5/2017	**2018** 2017	**10,000** -	**-** -	**-** -	**-** -	**-** -	**10,000** -	**-** -
R Downey	**2018** 2017	**-** -	**-** -	**-** -	**-** -	**-** -	**-** -	**-** -

The following amounts of current and former key management personnel remuneration (excluding GST) remained unpaid as at 30 June 2018 and 30 June 2017:

	$
R Downey	100,000
S Harrison	20,000
N Bassett	50,000

Directors' fees were suspended until further notice from 1 April 2016.

No performance-related payments were made during the year.

F. Compensation Options Issued to Key Management Personnel

No options were granted as equity compensation benefits to Key Management Personnel during the year ended 30 June 2018.

G. Shares Issued to Key Management Personnel on Exercise of Compensation Options

No key management personnel exercised options during the years ended 30 June 2018.

H. Option holdings of Key Management Personnel

No key management personnel held options during the year ended 30 June 2018.

I. Share holdings of Key Management Personnel

	Balance at 30 June 2017	Change due to appointment / (resignation)	Net change other	Balance at 30 June 2018
2018				
Directors				
C Welch	4,970,000	-	(3,700,200)	1,269,800
S Brown	-	-	-	-
R Downey	-	-	-	-
	4,970,000	-	-	1,269,800

J. Other transactions and balances with Key Management Personnel

A legal firm of which director Robert Downey is a principal provided services totalling $Nil (2017: $Nil) during the year.

This concludes the Remuneration Report.

SHARES UNDER OPTION
There are no unissued ordinary shares of the Company under option at the date of this report.

ENVIRONMENTAL REGULATIONS
The Group's environmental obligations are regulated under both State and Federal law. All environmental performance obligations are monitored by the Board and subjected from time to time to Government agency audits and site inspections. The Company has a policy of at least complying with, but in most cases exceeding, its statutory environmental performance obligations. No environmental breaches have occurred or have been notified by any Government agencies during the year ended 30 June 2018 or subsequent to year end.

CORPORATE GOVERNANCE
In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Kairiki Energy Limited support and have adhered to the principles of corporate governance and have established a set of policies and manuals for the purpose of managing corporate governance. The Company's detailed corporate governance policy statement is contained in the section headed 'Corporate Governance Statement' of the annual report.

INSURANCE OF OFFICERS
The Company does not hold insurance covering Directors and Officers of the Company against any liability arising from a claim brought by a third party against its Directors and Officers, or against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

NON-AUDIT SERVICES
No non-audit services were provided by the Company's auditors.

AUDITOR INDEPENDENCE
The following is a copy of a letter received from the Company's auditors:

This report is made in accordance with a resolution of the Directors.

For and on behalf of the Board.

Campbell Welch
Chairman
21 September 2018

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Kairiki Energy Ltd
Level 3, 32 Walker St
North Sydney NSW 2060

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2018 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)

Rothsay Auditing

Dated 21 SEPT 2018

The Board of Directors of Kairiki Energy Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Kairiki Energy Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement reports on Kairiki Energy Limited's key governance principles and practices.

1. COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

The Company, as a listed entity, must comply with the Corporations Act 2001 and the ASX Limited (ASX) Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC). Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure. The Company recognises the publication of the third edition of the principles and recommendations.

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 1	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	2(a), 2(h), 3(b), Remuneration Report	Yes
Principle 2	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	2(b), 2(e)	Yes
2.2	The chair should be an independent director.	2(c), 2(e)	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	Yes
2.4	The Board should establish a nomination committee.	2(d)	No
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	2(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes
Principle 3	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary as to:	4(a)	Yes
	• the practices necessary to maintain confidence in the company's integrity;		
	• the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and		
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	4(b)	Yes
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	4(b)	No
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	4(b)	Yes

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
3.5	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(b)	Yes
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	3(a)	Yes
4.2	The audit committee should be structured so that it:	3(a)	No
	• consists only of Non-Executive directors;		
	• consists of a majority of independent directors;		
	• is chaired by an independent chair, who is not chair of the Board; and		
	• has at least three members.		
4.3	The audit committee should have a formal charter	3(a)	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes
Principle 5	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes
Principle 6	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes
Principle 7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee.	3(b)	No
8.2	Remuneration Committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent director; and • has at least three members.	3(b)	No
8.3	Clearly distinguish the structure on Non-Executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	Yes
8.4	Provide the information indicated in the Guide to reporting on principle 8.	3(b)	Yes

2. THE BOARD OF DIRECTORS

2(a) Roles and Responsibilities of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for oversight of the management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board operates within the broad principles and responsibilities described in the following:

- Setting the strategic aims of the Company and overseeing management's performance within that framework;
- Making sure that the necessary resources (financial and human) are available to the Company and its senior executives to meet its objectives;
- Overseeing management's performance and the progress and development of the Company's strategic plan;
- Selecting and appointing suitable Executive Directors with the appropriate skills to help the Company in the pursuit of its objectives;
- Determining the remuneration policy for the Board members, Company Secretary and Senior Management;
- Controlling and approving financial reporting, capital structures and material contracts;
- Ensuring that a sound system of risk management and internal controls are in place;
- Setting the Company's values and standards;
- Undertaking a formal and rigorous review of the Corporate Governance policies to ensure adherence to the ASX Corporate Governance Council;
- Ensuring that the Company's obligations to shareholders are understood and met;
- Ensuring the health, safety and well-being of employees in conjunction with the senior management team, including developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to assure the well-being of all employees;
- Ensuring an adequate system is in place for the proper delegation of duties for the effective operative day to day running of the Company without the Board losing sight of the direction that the Company is taking; and
- Any other matter considered desirable and in the interest of the Company.

2(b) Board Composition

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution, must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Chief Executive Officer should be exercised by different individuals;
- the majority of the Board should comprise Directors who are Non-Executive; and
- Directors should bring characteristics which allow a mix of qualifications, skills, experience, expertise and diversity to the Board.

The Board is currently comprised of three Non-Executive Directors. At all times during the year the Board comprised a majority of Non-Executive Directors. The skills, experience, expertise, qualifications and terms of office of each Director in office at the date of the annual report is included in the Directors' Report.

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

The Managing Director is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

2(c) Roles of the Chairman and Executive Director

The Chairman is responsible for:

- providing the necessary direction required for an effective Board;
- ensuring that all the Directors receive timely and accurate information so that they can make informed decisions on matters of the Company;
- ensuring that the Board collectively and individual directors' performance is assessed annually; and
- encouraging active engagement from all members of the Board.

The Managing Director is responsible for:

- the executive management of the company's operations;
- policy direction of the operations of the Company;
- the efficient and effective operation of the Company; and
- ensuring all material matters affecting the Company are brought to the Board's attention.

Board policy specifies that the roles of the Chairman and the Chief Executive Officer should be separate roles to be undertaken by separate people. Due to the nature of the company's current activities it does not currently have a Chief Executive Officer.

2(d) Nomination Committee

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board are confident that this process for selection and review is stringent and full details of all Directors are provided to shareholders in the annual report and on the Company's website.

2(e) Independent Directors

The Company recognises that independent Directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of Kairiki Energy Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The Board currently comprises three independent Non-Executive Directors.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of Kairiki Energy Limited are considered to be independent:

Name	**Position**
Campbell Welch	Non-Executive Chairman
Scott Brown	Non-Executive Director
Robert Downey	Non-Executive Director

The following persons hold office as directors of Kairiki Energy Limited at the date of this report:

Name	**Term in Office**
Campbell Welch	Since 23 March 2016
Scott Brown	Since 6 May 2016
Robert Downey	Since 15 February 2013

2(f) Avoidance of conflicts of interest by a Director

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

2(g) Board access to information and independent advice

Directors are able to access members of the management team at any time to request relevant information.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

2(h) Review of Board performance

The performance of the Board, collectively and individually, is reviewed annually by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each Board member's performance against specific and measurable qualitative and quantitative performance criteria. The evaluation process is focussed on objective and tangible criteria such as:

- Performance of the Company
- Accomplishment of long term strategic objectives
- Development of management
- Growth in shareholder value

3. BOARD COMMITTEES

3(a) Audit Committee

Given the size and scale of the Company's operations the full Board undertakes the role of the Audit Committee. The Audit Committee does not comply with ASX Recommendation 4.2 as the Chair of the Board is Chair of the Audit Committee. The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Company and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

The Board is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is Rothsay's policy to rotate engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

There were no non-audit services provided by the auditors during the year.

3(b) Remuneration Committee

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the Managing Director, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and Non-Executive directors and undertaking reviews of the Managing Director's performance.

The Company has structured the remuneration of its senior executives, where applicable, such that it comprises a fixed salary, statutory superannuation and, where applicable, participation in the Company's employee share option plan. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

Non-Executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for Non-Executive director remuneration. The Company does not adhere to Recommendation 8.3 Box 8.2 'Non-Executive directors should not receive options or bonus payments'. The Company has and may, in the future, grant options to Non-Executive directors. The Board is of the view that options (for both executive and Non-Executive directors) are a cost effective benefit for small companies such as Kairiki Energy Limited that seek to conserve cash reserves. They also provide an incentive that ultimately benefits both shareholders and the optionholders, as optionholders will only benefit if the market value of the underlying shares exceeds the option strike price. Ultimately, shareholders will make that determination.

The board policy is to remunerate Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholders interests, the Directors are encouraged to hold shares in the Company.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and Directors are remunerated to a level consistent with the size of the Company.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

In determining remuneration, the Board has taken a view that the full Board will hold special meetings or sessions as required. No Director participated in any deliberation regarding his or her own remuneration or related issues. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

4. ETHICAL AND RESPONSIBLE DECISION MAKING

4(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

All Directors, officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

4(b) Workplace Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Accordingly, the Company has established a diversity policy which is available on the Company's website.

The Board has a commitment to promoting a corporate culture that is supportive of diversity and encourages the transparency of Board processes, review and appointment of Directors. The Board is responsible for developing policies in relation to the achievement of measurable diversity objectives and the extent to which they will be linked to the Key Performance Indicators for the Board, Managing Director and senior executives.

The Company's strategies may include:

- recruiting from a diverse range of candidates for all positions, including senior executive roles and Board positions;
- reviewing pre-existing succession plans to ensure that there is a focus on diversity;
- encourage female participation across a range of roles across the Company;
- review and report on the relative proportion of women and men in the workforce at all levels of the Company;
- articulate a corporate culture which supports workplace diversity and in particular, recognizes that employees at all levels of the Company may have domestic responsibilities;
- develop programs to encourage a broader pool of skilled and experienced senior management and Board candidates, including, workplace development programs, mentoring programs and targeted training and development; and
- any other strategies that the Board or the Nomination Committee develops from time to time.

At the date of this report the Company has no executive female employees. The Company utilises the services of a number of female consultants, in varying roles. No women are currently represented on the Board.

Due to the current size, nature and scale of the Company's activities the Board has not yet developed objectives regarding gender diversity. As the size and scale of the Company grows the Board will set and aim to achieve gender diversity objectives as director and senior executive positions become vacant and appropriately qualified candidates become available.

5. TIMELY AND BALANCED DISCLOSURE

5(a) Shareholder communication

The Company is committed to:

- Ensuring that shareholders and the market are provided with full and timely information about its activities;
- Complying with the continuous disclosure obligations contained in the ASX Listing Rules and the applicable sections of the Corporations Act 2001; and
- Providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company's Disclosure Policy covers financial markets communication, media contact and continuous disclosure issues.

All information released to the ASX, after clearance from the ASX will be promptly placed on the Company's website.

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Chairman or Chief Executive Officer are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

5(b) Continuous disclosure policy

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

6. RECOGNISING AND MANAGING RISK

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management has been established. Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

6(a) Board oversight of the risk management system

The Company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

6(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

6(c) Chief Executive Officer and Chief Financial Officer Certification

The Chief Executive Officer and Chief Financial Officer, or equivalent, provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management an internal compliance and control system is operating efficiently and effectively in all material respects.

6(d) Internal review and risk evaluation

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.

7 Trading in Company securities by directors and employees

The Board has adopted a Securities Trading Policy which complies with the requirements of Listing Rule 12.12 which regulates dealings by Directors, officers and employees in securities issued by the Company.

The policy, which is available on the Company's website, includes the Company's closed periods, restrictions on trading that apply to the Company's key management personal, trading that is not subject to the policy, exceptional circumstances in which key management personnel may be permitted to trade during a prohibited period with prior written clearance and the procedure for obtaining written clearance. The policy provides that employees, directors and officers must not enter into transactions or arrangements which operate to limit the economic risk of their security holding in the Company without first seeking and obtaining written acknowledgement from the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue	3(a)	**2,591**	**2,403**
Other income	3(b)	**1,483**	**832**
		4,074	**3,235**
Administrative expenses	3(c)	**125,426**	**149,623**
		125,426	**149,623**
Profit / (loss) before income tax expense		**(121,352)**	**(146,388)**
Income tax expense	4	-	-
Profit / (loss) after tax for the period from continuing operations		**(121,352)**	**(146,388)**
Profit / (loss) after tax for the period		**(121,352)**	**(146,388)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net gain on available for sale financial assets		**-**	**(8,823)**
Total other comprehensive income / (loss)		**-**	**(8,823)**
Total comprehensive loss attributable to members of Kairiki Energy Limited		**(121,352)**	**(155,211)**
		cents	**cents**
Profit / (loss) per share attributable to ordinary equity holders of the parent	5		
From continuing operations		**(0.04)**	**(0.05)**
From discontinued operations		**-**	**-**
Total		**(0.04)**	**(0.05)**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Consolidated 2018 $	2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	**158,371**	**263,804**
Trade and other receivables	7	**1,649**	**11,500**
Total Current Assets		**160,020**	**275,304**
Non-Current Assets			
Financial assets classified as available for sale	8	**-**	**-**
Total Non-Current Assets		**-**	**-**
Total Assets		**160,020**	**275,304**
LIABILITIES			
Current Liabilities			
Trade and other payables	9	**220,494**	**214,426**
Total Current Liabilities		**220,494**	**214,426**
Total Liabilities		**220,494**	**214,426**
Net Assets / (Deficiency)		**(60,474)**	**60,878**
EQUITY			
Issued capital	10	**86,101,448**	**86,101,448**
Reserves	11	**(6,885,355)**	**(6,885,355)**
Accumulated losses		**(79,276,567)**	**(79,155,215)**
Total Equity / (Shareholders' Deficit)		**(60,474)**	**60,878**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Issued Capital $	Available for Sale Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance at 30 June 2016	**85,783,048**	8,823	(6,885,355)	(79,008,827)	(102,311)
Loss for the period	-	-	-	(146,388)	(146,388)
Other comprehensive income	-	(8,823)	-	-	(8,823)
Total comprehensive income / (loss) for the period	-	(8,823)	-	(146,388) -	(155,211)
Issue of share capital	318,400				318,400
Transfer share-based payments reserve to accumulated losses	-	-	-	-	-
Balance at 30 June 2017	**86,101,448**	**-**	**(6,885,355)**	**(79,155,215)**	**60,878**
Loss for the period	**-**	**-**	**-**	**(121,352)**	**(121,352)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**
Total comprehensive income / (loss) for the period	**-**	**-**	**-**	**(121,352)**	**(121,352)**
Issue of share capital	**-**	**-**	**-**	**-**	**-**
Transfer share-based payments reserve to accumulated losses	**-**	**-**	**-**	**-**	**-**
Balance at 30 June 2018	**86,101,448**	**-**	**(6,885,355)**	**(79,276,567)**	**(60,474)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $	2017 $
Cash flows from operating activities			
Receipts		**1,483**	**832**
Payments to suppliers and employees		**(109,507)**	**(172,612)**
Interest received		**2,591**	**2,403**
Net cash used in operating activities	6(i)	**(105,433)**	**(169,377)**
Cash flows from investing activities			
Proceeds from sale of financial assets		**-**	**6,976**
Net cash used in investing activities		**-**	**6,976**
Cash flows from financing activities			
Proceeds from issue of shares(net expenses)		**-**	**318,400**
Net cash provided by / (used in) financing activities		**-**	**318,400**
Net increase / (decrease) in cash held		**(105,433)**	**155,999**
Cash at the beginning of the financial year		**263,804**	**107,805**
Effect of exchange rate changes		**-**	**-**
Cash and cash equivalents at end of year	6	**158,371**	**263,804**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. Corporate Information

The financial report of Kairiki Energy Limited ("Kairiki" or "the Company") and its subsidiaries ("the Group") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 21 September 2018.

Kairiki is a company limited by shares incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Summary of Significant Accounting Policies

Basis of Presentation
The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

Going concern

The Group incurred a loss from continuing operations of $121,352 (2017: $146,388) and net operating cash outflows of $105,433 (2017: $169,377).

The ability of the Group to continue as a going concern is principally dependent upon raising additional capital to fund the Group's ongoing working capital requirements, as and when required.

The Directors therefore believe it is appropriate to prepare the financial statements on a going concern basis.

Although the Directors believe they will be successful in raising additional capital to fund working capital requirements, if they are not, there is a material uncertainty that the Group may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Statement of compliance
The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

New and amended standards adopted by the Group

The new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2017 were adopted.

The adoption of these new standards and amendments to standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

2. *Summary of Significant Accounting Policies (continued)*

New and amended standards adopted by the Group (continued)

New accounting standards and interpretations issued but not yet effective

New accounting standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the reporting period ending 30 June 2018 are outlined in the following table.

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9,and relevant amending standards	*Financial Instruments*	AASB 9 **replaces AASB 139 Financial Instruments: Recognition and Measurement** Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.	1 January 2018	1 July 2018

2. *Summary of Significant Accounting Policies (continued)*

New and amended standards adopted by the Group (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 15,and relevant amending standards	Revenue from Contracts with Customers	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB Interpretation 13 *Customer Loyalty Programmes*, AASB Interpretation 15 *Agreements for the Construction of Real Estate*, AASB Interpretation 18 *Transfers of Assets from Customers* and AASB Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 *Leases*, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: ► Step 1: Identify the contract(s) with a customer ► Step 2: Identify the performance obligations in the contract ► Step 3: Determine the transaction price ► Step 4: Allocate the transaction price to the performance obligations in the contract ► Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	1 January 2018	1 July 2018
AASB 2017-5	*Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*	This Standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: ► The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ► Share-based payment transactions with a net settlement feature for withholding tax obligations ► A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018	1 July 2018
AASB 2017-6	*Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*	This Standard amends AASB 4 *Insurance Contracts* to permit issuers of insurance contracts to: ► Choose to apply the 'overlay approach' that involves applying AASB 9 *Financial Instruments* and also applying AASB 139 *Financial Instruments: Recognition and Measurement* to eligible financial assets to calculate a single line item adjustment to profit or loss so that the overall impact on profit or loss is the same as if AASB 139 had been applied; or ► Choose to be temporarily exempt from AASB 9 when those issuers' activities are predominantly connected with insurance, provided they make additional disclosures to enable users to make comparisons with issuers applying AASB 9.	1 January 2018	1 July 2018
AASB 2018-1	*Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2017 Cycle and Other Amendments*	The amendments clarify certain requirements in: ► AASB 1 *First-time Adoption of Australian Accounting Standards* – deletion of exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 *Foreign Currency Transactions and Advance Consideration* ► AASB 12 *Disclosure of Interests in Other Entities* – clarification of scope ► AASB 128 *Investments in Associates and Joint Ventures* – measuring an associate or joint venture at fair value ► AASB 140 *Investment Property* – change in use.	1 January 2018	1 July 2018

AASB Interpretation 22	*Foreign Currency Transactions and Advance Consideration*	The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	1 January 2018	1 July 2018
AASB 16	*Leases*	AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	1 January 2019	1 July 2019

2. *Summary of Significant Accounting Policies (continued)*

Basis of consolidation

The consolidated financial statements comprise the financial statements of Kairiki Energy Limited ("Kairiki", the "Company", or "parent entity") and its subsidiaries ("the Group") as at 30 June each year.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date the Group obtains control until such time as control ceases.

The financial statements of the subsidiaries are prepared for the same period as the parent entity, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

Investments in subsidiaries held by Kairiki Energy Limited are accounted for at cost in the separate financial statements of the parent entity, less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

Foreign currency translation

Both the functional and presentation currency of Kairiki Energy Limited and its Australian subsidiaries is Australian dollars ($A).

Foreign currency transactions are translated to Australian currency at the rate of exchange ruling at the date of the transactions. Monetary items in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the Consolidated Statement of Comprehensive Income in the financial year in which the exchange rates change, as exchange gains or losses.

Significant Accounting Estimates and Judgements

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have a significant effect on the amounts recognised in the financial statements.

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 2. The application of this policy necessarily requires management to make certain assumptions as to future events and circumstances. Any such assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount is written off to the statement of profit or loss and other comprehensive income.

2. *Summary of Significant Accounting Policies (continued)*

Significant Accounting Estimates and Judgements (continued)

Significant accounting estimates and assumptions
The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of assets
In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and a "value in use" discounted cash flow methodology. Additional disclosures are provided about the discount rate and any other significant assumptions.

(ii) Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

Cash and cash equivalents
Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

Trade and other receivables
Trade receivables are recognised initially at fair value (generally the original invoice amount) and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payment or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the effective interest rate.

Exploration and evaluation expenditure
Costs related to the acquisition of properties that contain resources are allocated separately to specific areas of interest. These costs are capitalised until the viability of the area of interest is determined.

Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest.

Such costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations are continuing. Accumulated costs in relation to an abandoned area are written off to the statement of profit or loss and other comprehensive income in the period in which the decision to abandon the area is made.

The Directors review the carrying value of each area of interest as at the balance date and any exploration expenditure which no longer satisfies the above policy is written off.

Once an area of interest enters the development phase, all capitalised acquisition, exploration and evaluation expenditures are transferred to oil and gas properties.

2. *Summary of Significant Accounting Policies (continued)*

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

(iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. Increases in their fair value after impairment are recognised in other comprehensive income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models, making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

2. *Summary of Significant Accounting Policies (continued)*

Trade and other payables
Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Interests in joint operations
A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to that arrangement.

Interests in joint operations are reported in the financial statements by including the Group's share of assets employed in the joint operations, the share of liabilities incurred in relation to the joint operations and the share of any expenses and revenues in relation to the joint operations in their respective categories.

Issued capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Share-based payment transactions
Equity-settled transactions:
The Group may provide benefits to Directors, employees and consultants of the Group in the form of share-based payments, whereby those individuals render services in exchange for shares or rights over shares.

When provided, the cost of these equity-settled transactions with these individuals is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model.
In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Kairiki Energy Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The amount charged or credited to the statement of profit or loss and other comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

2. *Summary of Significant Accounting Policies (continued)*

Income Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:
- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint arrangements, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:
- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint arrangements, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

2. ***Summary of Significant Accounting Policies (continued)***

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Segment reporting

An operating segment is a component of the entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team.

Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

	Consolidated 2018 $	2017 $
3. Revenue and Expenses		
(a) Revenue		
Interest revenue	**2,591**	**2,403**
	2,591	**2,403**
(b) Other Income		
Sundry income	**1,483**	**832**
	1,483	**832**
(c) Expenses		
Administrative expenses include:		
Employee benefits expense:		
Salaries, wages and directors' fees	**-**	**-**
Defined contribution superannuation expense	**-**	**-**
	-	**-**

	Consolidated 2018 $	2017 $
4. Income Tax		
(a) The major components of income tax are:		
Statement of profit or loss and other comprehensive income		
Current income tax	-	-
Deferred income tax	-	-
Income tax expense reported in the statement of profit or loss and other comprehensive income	-	-
(b) Income Tax Reconciliation		
The reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable income tax rate is as follows:		
Loss before tax from continuing operations	**(121,352)**	**(146,388)**
Profit / (loss) before tax from discontinued operations	**-**	**-**
Profit / (loss) before income tax	**(121,352)**	**(146,388)**
Income tax expense / (benefit) at 27.5% (2017: 27.5%)	**(33,372)**	**(40,257)**
Unrecognised tax losses	**33,372**	**40,257**
Income tax expense reported in the statement of profit or loss and other comprehensive income	**-**	**-**
(c) Deferred Income Tax		
Unrecognised Deferred Tax Assets		
Share issue and business related costs	**5,678**	**5,678**
Financial asset classified as available for sale	**15,882**	**15,882**
Accruals	**3,900**	**3,900**
Revenue tax losses	**6,583,739**	**6,583,739**
Unrecognised deferred tax assets	**(6,609,199)**	**(6,609,199)**
	-	-

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

Tax Consolidation Legislation
Kairiki Energy Limited and its 100% owned subsidiaries formed a tax consolidated group on 1 July 2015.

	Consolidated	
	2018	2017
	$	$

5. Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2018 $	2017 $
Loss after tax from continuing operations	**(121,352)**	**(146,388)**
Profit / (loss) after income tax	**(121,352)**	**(146,388)**
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**349,122,480**	**303,314,261**

The Company currently has no options outstanding.

6. Cash and Cash Equivalents

	2018 $	2017 $
Cash at bank and on hand	**158,371**	**263,804**

(i) Reconciliation of loss for the year to net cash flows used in operating activities

	2018 $	2017 $
Profit / (loss) for the year	**(121,352)**	**(146,388)**
Adjustments:		
Loss on sale of financial asset	**-**	**(5,716)**
Change in operating assets and liabilities:		
(Increase) / decrease in receivables	**9,851**	**(11,500)**
(Decrease)/Increase in payables	**6,068**	**(5,773)**
Net cash flows used in operating activities	**(105,433)**	**(169,377)**

(ii) Non-Cash Financing and Investing Activities
There were no non-cash financing or investing activities during the years ended 30 June 2018 or 30 June 2017.

7. Trade and Other Receivables

Current	2018 $	2017 $
Prepayments	**200**	**200**
GST refunds due	**1,449**	**11,300**
	1,649	**11,500**

Fair Value and Risk Exposures
(i) Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.
(ii) The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.
(iii) Other receivables generally have repayments between 30 and 90 days.
(iv) Receivables do not contain past due or impaired assets as at 30 June 2018 (2017: none).

	Consolidated 2018 $	2017 $
8. Financial Assets classified as Available for Sale		
Listed shares – Locality Planning Energy Holdings Limited	-	-
Reconciliation of Movement		
Carrying amount at beginning of period	-	10,083
Sale of shares	-	(6,976)
Loss on sale	-	(3,107)
Reversal of impairment	-	-
Carrying amount at end of period	-	-

The fair value of listed shares has been determined directly by reference to published price quotations in an active market for identical securities. They are deemed to be Level 1 securities in accordance with the AASB 7 fair value measurement hierarchy and hence there is no subjectivity in relation to their value.

	2018	2017
9. Trade and Other Payables		
Current	**220,494**	214,426

Included in the trade and other payable amount is $173,800 payable to current and former key management personnel which will only be paid after the Company's securities are readmitted to quotation on the ASX.

Fair Value and Risk Exposures

(i) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.
(ii) Details regarding liquidity risk are disclosed in Note 22.
(iii) Trade and other payables are unsecured and usually paid within 60 days of recognition.

10. Issued Capital	**Consolidated**	
	2018	2017
	$	$
(a) Share capital		
Ordinary shares fully paid	**86,101,448**	**86,101,448**
	86,101,448	**86,101,448**

(b) Movement in ordinary shares on issue	**Number**	**$**
At 30 June 2016	269,122,480	85,783,048
Placement – 25 January 2017	80,000,000	318,400
At 30 June 2017	**349,122,480**	**86,101,448**
	-	**-**
At 30 June 2018	**349,122,480**	**86,101,448**

(c) Options at 30 June 2018

No unlisted options are outstanding as at 30 June 2018.

(d) Terms and conditions of contributed equity

Ordinary Shares:

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management may in the future adjust the capital structure to take advantage of favourable costs of capital and issue further shares in the market. Management has no current plans to adjust the capital structure other than as disclosed in the financial statements. There are no plans to distribute dividends in the next year.

11. Reserves

Nature and purpose of reserves:

Share-based Payments Reserve
This reserve was used to record the value of equity benefits provided to Directors and employees as part of their remuneration.

Foreign Currency Translation Reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

12. Contingent Assets and Liabilities

Contingent Assets
In March 2009, Kairiki entered into agreements with a previous partner, Alpine Oil & Gas Pty Ltd (AOG) to sell Kairiki's 30% interest in each of the Sicily Channel exploration permits, Pantelleria and Kerkouane. As consideration, AOG agreed to pay US$280,000 cash (A$326,836) for each permit if and when AOG disposes of an interest in those permits. US$280,000 was received in June 2010 in relation to the Kerkouane permit.

Contingent Liabilities
There are no contingent liabilities.

13. Commitments

The Company has no commitments.

14. Related Party Transactions

(a) Parent entity

The parent entity within the Group is Kairiki Energy Limited.

(b) Subsidiaries

Name of Controlled Entity	Place of Incorporation	% Held by Parent Entity 2018	2017	Principal Activities
Great Southern Mines NL[(i)]	Australia	-	100%	Dormant
Kairiki Energy Asia Pty Ltd [(ii)]	Australia	-	-	Dormant

(i) This company was deregistered during the year.
(ii) This company was deregistered during the prior year.

14. Related Party Transactions (continued)

(c) Key management personnel compensation

	Consolidated	
	2018	2017
	$	$
Short-term employment benefits	**20,000**	**-**
	20,000	**-**

Further disclosures relating to key management personnel are set out in the remuneration report in the Directors' Report.

(d) Transactions with related parties

(i) Director-related entities

A legal firm of which director Robert Downey is a principal provided services totaling $Nil during the year ended 30 June 2018 (2017: $Nil). No amount was outstanding at 30 June 2018 (2017: $Nil).

An entity related to director Robert Downey provided consulting services totalling $Nil during the year ended 30 June 2018 (2017: $Nil) and an entity related to former director Stephen Harrison provided consulting services totalling $Nil (2017: $Nil). $44,000 and $12,100 respectively including GST remained in trade creditors as at 30 June 2018 (2017: $56,100).

15. Share-based Payments

There were no share-based payments granted during the years ended 30 June 2018 or 30 June 2017.

	Consolidated	
	2018	2017
	$	$
16. Auditor's Remuneration		
Amount received or due and receivable by the auditor of Kairiki Energy Limited for:		
Auditing and reviewing the financial statements	**15,000**	**17,500**
	15,000	**17,500**

No amounts were paid to other audit firms.

17. Segment reporting

The Group's only continuing operation is reviewing new project opportunities. Its assets and liabilities relate only to Australia. Accordingly, it has only one segment at this time.

For the year ended 30 June 2018, the Group's only operating segment was exploration and evaluation assets, which included assets that were associated with the determination and assessment of the existence of commercial economic reserves. The Group identified its operating segments based on the internal reports that are used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

Corporate costs, finance costs, interest revenue and foreign currency gains and losses were not allocated to segments as they were not considered part of the core operations of the segments and are managed on a Group basis.

18. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group has various other financial instruments such as trade creditors, which arise directly from its operations.

It is the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

Interest Rate Risk

At balance date the Group's exposure to market risk for changes in interest rates relates primarily to the Company's short-term cash deposits. The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits may be fixed.

At balance date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated	
	2018	2017
	$	$
Financial Assets:		
Cash and cash equivalents held in interest-bearing accounts	**158,371**	**263,804**
Net exposure	**158,371**	**263,804**

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. The 0.5% sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical bank interest rate movements over the last three years.

At 30 June 2018, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Group would have been affected as follows:

	Consolidated	
	2018	2017
	$	$
Judgements of reasonably possible movements:		
Post tax profit and equity - higher / (lower)		
+ 0.5%	**792**	**1,319**
- 0.5%	**(792)**	**(1,319)**

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its cash and funding requirements.

The table below reflects all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities as of 30 June 2018. These amounts represent contractual undiscounted cash flows.

The contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2018	2017
	$	$
6 months or less	**224,494**	**214,426**

18.. Financial Risk Management Objectives and Policies (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

Cash is primarily deposited only with AA-rated (Moody's) financial institutions. The Company does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

Foreign Currency Risk

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable and ensuring cash balances are maintained in appropriate currencies to meet operational commitments. The Group has limited exposure to foreign currency risk.

Fair Value

The methods of estimating fair value are outlined in the relevant notes to the financial statements.

19. Parent Entity Information

	Parent	
	2018	2017
	$	$
Current assets	**160,020**	**275,304**
Total assets	**160,020**	**275,304**
Current liabilities	**(220,494)**	**(214,426)**
Total liabilities	**(220,494)**	**(214,426)**
Net assets / (Deficiency)	**(60,474)**	**60,878**
Issued capital	**86,101,448**	**86,101,448**
Foreign currency translation reserve	**(6,885,355)**	**(6,885,355)**
Accumulated losses	**(79,276,567)**	**(79,155,215)**
Total equity / (Shareholders' Deficit)	**(60,474)**	**60,878**
Loss of the parent entity after tax	**(121,352)**	**(146,388)**
Other comprehensive income / (loss), net of tax	**-**	**(8,823)**
Total comprehensive loss of the parent entity	**(121,352)**	**(155,211)**

20. Events Subsequent to the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years other than:

On 19 July 2018 the Company announced to the ASX that it had executed a conditional agreement to acquire 100% of a number of automotive business collectively known as the RPM Automotive Group (“RPM Group”). The transaction is subject to the successful completion of due diligence by both parties.

The RPM Group offers a nationwide footprint focusing on wholesale distribution and retail of tyres, auto parts and accessories and owns a variety of well-known and respected brands in the automotive market. The RPM Group is a group of unlisted businesses operating in the Australian automotive aftermarket.

The total notional consideration paid by the Company to the RPM Group (excluding the Earnout shares) is 103,600,000 Shares (Post consolidation) at $0.20 per share which gives equity consideration of $20.72 million and $1.8 million in cash for a total consideration of $22.52 million. As part of the transaction the company will undertake a share consolidation on a 1:37 basis and the raising a minimum of $5m via the issue of shares to investors.

The acquisition is deemed a significant change in the nature and scale of the Company’s activities and will require shareholder approval under Chapter 11 of the ASX Listing Rules. Also, the Company’s securities will remain suspended until the Company has re-complied with Chapters 1 and 2 of the Listing Rules. The ASX retains absolute discretion in deciding whether to re-admit the Company to the official list and to quote its securities. If any of these requirements are not met or the ASX exercises its discretion not to re-admit the Company’s shares to trading on the ASX then the transaction may not proceed.

The Company will prepare a Notice of General Meeting which will be sent to shareholders.

DIRECTORS' DECLARATION

1. In the opinion of the Directors:

   a) The financial statements and notes and additional disclosures included in the Directors' Report designated as audited, are in accordance with the Corporations Act 2001, including:

      i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

      ii) complying with Accounting Standards and the Corporations Regulations 2001; and

   b) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as disclosed in note 2; and

   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

This declaration is signed in accordance with a resolution of the Board of Directors.

Campbell Welch
Chairman
21 September 2018

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF KAIRIKI ENERGY LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Kairiki Energy Limited ("the Company") and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report. The matters set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, and therefore the Group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Cash and cash equivalents

The Group's cash and cash equivalents make up 98% of total assets by value and is considered to be the key driver of the Group's operations. We do not consider cash and cash equivalents to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence of the Group's cash and cash equivalents included but were not limited to:

- Documenting and assessing the processes and controls in place to record cash transactions;
- Testing a sample of cash payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and
- Agreeing 100% of cash holdings to independent third party confirmations.

We have also assessed the appropriateness of the disclosures included in notes 1 and 6 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatementt, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2018.

In our opinion the remuneration report of Kairiki Energy Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Rothsay

Rothsay Auditing

Graham Swan FCA
Partner

Dated 21 September 2018

Chartered Accountants

SUPPLEMENTARY INFORMATION
Additional information included in accordance with Listing Rules of the Australian Stock Exchange Limited

The shareholder information set out below was applicable as at 14 September 2018.

1. Distribution of Holders

	Fully Paid Ordinary Shares
Number of holders in the following distribution categories:	
0 - 1,000	2,064
1,001 - 5,000	720
5,001 - 10,000	255
10,001-100,000	436
100,001 and over	237
Number of holders	3,712
Holders of less than a marketable parcel	3,415

2. Twenty Largest Shareholders

The names of the twenty largest shareholders are as follows:

		Number of Shares	Percentage of Issued Capital
1	Invia Custodian Pty Limited<Andrew William Blackman A/C>	25,000,000	7.16
2	Mr Mark Allen Barton & Mr Mitchell James Barton	19,500,000	5.59
3	Mr Paul Lynton Spindler	15,000,000	4.30
4	Tanvinh Resources Pty Limited	12,500,000	3.58
5	Bellaire Capital Pty Ltd<Bellaire Capital Invest A/C>	11,750,000	3.37
6	VFT Investments Pty Ltd	10,357,143	2.97
7	Albert Robert Taylor	10,000,000	2.86
8	John Wardman & Associates Pty Ltd<The Wardman Superfund A/C>	8,750,000	2.51
9	Saratoga Capital Pty Ltd	7,657,143	2.19
10	Robert William Waterhouse	7,500,000	2.15
11	Ms Carol Anne Bingham	7,000,000	2.01
12	Foley Super Pty Ltd<Foley Super Fund A/C>	6,250,000	1.79
13	Lobel Enerprises Pty Limited<Lobel Super Fund A/C>	6,035,000	1.73
14	Campbell Kitchener Hume & Associates Pty Ltd<C K H Superfund A/C>	6,000,000	1.72
15	Aus Steel Pty Ltd <D&K Onley S/F A/C>	5,000,000	1.43
16	Mrs Allison Maree Bulseco	5,000,000	1.43
17	Bushwood Nominees Pty Ltd	5,000,000	1.43
18	Ian A Thompson Pty Ltd<Thompson Super Fund A/C>	5,000,000	1.43
19	Nutsville Pty Ltd <Industr Electrical Co SF A/C>	5,000,000	1.43
20	Thrifty Money Pty Ld	4,970,000	1.42
		183,269,286	52.49
	Shares on issue	349,122,480	

3. Options
There are no options on issue.

4. Restricted Securities
There are no restricted securities or securities subject to voluntary escrow.

5. Substantial Shareholders
Substantial shareholders in the Company as disclosed in the substantial shareholder notices given to the Company:

	Number of Shares	**Percentage of Issued Capital**
Mr Andrew William Blackman	25,000,000	7.16
Mr Mark Allen Barton & Mr Mitchell James Barton	19,500,000	5.59

6. Voting Rights

Shares
On a show of hands every member present in person or by proxy or attorney or being a corporation by its authorised representative who is present in person or by proxy, shall have one vote for every fully paid ordinary share of which he is a holder.

Options
Options have no voting rights until such options are exercised as fully paid ordinary shares.

7. On-market Buy-back
There is no current on-market buy-back of the Company's securities.