

KAIRIKI ENERGY LIMITED

ABN 34 002 527 906

Half-Year Report

31 December 2013

Kairiki Energy Limited

ABN 34 002 527 906

Corporate Directory

Directors

Joseph Lacson
Peter Cockcroft
Robert Downey
Stephen Harrison

Company Secretary

Neville Bassett

Registered Office

C/- Westar Capital Limited
Level 9
190 St Georges Terrace
Perth WA 6000

Tel: (08) 9388 6711
Fax: (08) 9388 6744

Website: www.kairikienergy.com

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Investor enquiries:

Tel: 1300 557 010
(08) 9323 2000
Fax: (08) 9323 2033

Auditor

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

Stock Exchange Listing

ASX Limited (Home Branch: Perth)
ASX Code: KIK

Kairiki Energy Limited

Directors' Report

The Directors of Kairiki Energy Limited ("Kairiki" or "the Company") submit herewith the financial report of the consolidated entity ("the Group") for the half-year ended 31 December 2013.

Directors

The names of Directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Joseph Lacson	Non-Executive Chairman
Peter John Cockcroft	Non-Executive Director
Robert Downey	Non-Executive Director
Stephen Harrison	Non-Executive Director

Review and Results of Operations

The principal activity of the Company during the period was evaluating new project opportunities. The net loss for the half-year ended 31 December 2013 was \$435,086 (31 December 2012: \$1,016,675). The net loss included the following items:

- General and administration costs of \$446,109 (2012: \$632,476);
- Cash interest expenses of \$2,751 (2012: \$158,338);
- Non-cash interest and borrowing expenses on the convertible notes of \$259,897 (2012: \$462,071); and
- Impairment of financial assets of \$22,688 (2012: nil).

Oil and Gas Interests

Philippines Offshore Oil and Gas (SC 54)

The following activities occurred in respect of the Company's Philippine oil and gas operations:

SC 54A – 30.1% Participating Interest

The Joint Venture received approval from the Philippines Department of Energy for an extension of Sub-phase 6 for a further 12 months. Sub-phase 6 now expires on 4 August 2014.

The well commitment associated with Sub-phase 6 has been met by the drilling of Gindara-1.

Potential Nido 1X1 Development with SC 14A

The Joint Venture held discussions with the Operator of SC 14A in relation to the development of Nido 1X1 using the existing SC 14A infrastructure. Nido 1X1 straddles the SC 54A and SC 14A permits.

SC 54B – 40% Participating Interest

No work was carried out by the Joint Venture during the half-year.

There is no firm commitment related to Block B of this Service Contract in either the current Sub-phase 6 or in Sub-phase 7 if the Company elects to enter the next Sub-phase.

Kairiki Energy Limited

Directors' Report

Corporate

On 12 November 2013 shareholders approved the issue of 174,454,400 fully paid ordinary shares to IMC Oil & Gas Investments Limited ("IMC"), thereby extinguishing US\$8,089,250 in secured convertible note debt.

The Company entered into a drawdown facility with IMC with a limit of \$488,000. As at 31 December 2013, \$240,000 had been drawn down under the facility.

New Ventures

During the half-year the Company reviewed a number of project opportunities, however, none were considered appropriate for the Company. The Company continues to pursue new projects in an effort to recapitalise and reinvigorate the asset portfolio of the Group.

Changes in State of Affairs

During the half-year ended 31 December 2013 there was no significant change in the entity's state of affairs other than those referred to in this Directors' report, the half-year financial statements or notes thereto.

Events Subsequent to Reporting Date

No matters or circumstances have arisen since the end of the reporting period 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.

Auditor's Independence Declaration

An independence declaration from our auditors is attached to the Auditor's Independent Review Report and forms part of this Directors' Report.

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



Robert Downey
Director

12 March 2014

Kairiki Energy Limited

Directors' Declaration

In accordance with a resolution of the Directors of Kairiki Energy Limited, I state that:

In the opinion of the Directors:

- 1) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (a) complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001;
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year then ended; and
- 2) Subject to the achievement of matter set out in Note 1 of the financial report, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'R Downey', followed by a long horizontal line extending to the right.

Robert Downey
Director

12 March 2014

Kairiki Energy Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2013

		Consolidated	
	Note	Half-Year ended 31 Dec 2013 \$	Half-Year ended 31 Dec 2012 \$
Interest revenue		3,451	17,172
Other income – foreign exchange gains		292,908	18,964
Other income – deferred proceeds from sale of mineral tenements		-	250,000
Expenses			
Finance costs		(262,648)	(620,409)
Depreciation		(450)	(1,255)
Employee benefits expense		(117,402)	(324,972)
Impairment of non-current financial assets classified as available for sale		(22,688)	-
Fair value loss on embedded derivative		-	(49,409)
Other costs		(328,257)	(306,766)
Loss before income tax expense		(435,086)	(1,016,675)
Income tax expense		-	-
Loss after tax for the period		(435,086)	(1,016,675)
Other comprehensive income / (loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(12,686)	(199,692)
Total comprehensive loss for the period attributable to members of Kairiki Energy Limited		(447,772)	(1,216,367)
		Cents	Cents
Loss per share attributable to ordinary equity holders of the parent	2	(0.51)	(1.89)

Kairiki Energy Limited

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	Consolidated 31 Dec 2013 \$	30 June 2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents		148,660	306,822
Trade and other receivables		28,194	49,330
Total Current Assets		176,854	356,152
Non-Current Assets			
Financial assets classified as available for sale		10,084	32,772
Plant and equipment		-	503
Deferred exploration and evaluation expenditure	3	6,405,007	6,341,570
Total Non-Current Assets		6,415,091	6,374,845
Total Assets		6,591,945	6,730,997
LIABILITIES			
Current Liabilities			
Trade and other payables		92,788	184,877
Borrowings	4	240,000	-
Convertible notes	5	-	9,511,234
Provisions		-	1,452
Total Current Liabilities		322,788	9,697,563
Total Liabilities		332,788	9,697,563
Net Assets / (Deficit)		6,259,157	(2,966,566)
EQUITY			
Issued capital	6	85,660,548	75,992,714
Reserves		(2,151,678)	(2,144,653)
Accumulated losses		(77,249,713)	(76,814,627)
Total Equity / Shareholders' Deficit		6,259,157	(2,966,566)

Kairiki Energy Limited

Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2013

Consolidated	Issued Capital \$	Share- based Payments Reserve \$	Translation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2012	75,700,097	3,588,520	(6,541,016)	(63,152,279)	9,595,322
Loss for the period	-	-	-	(1,016,675)	(1,016,675)
Other comprehensive income	-	-	(199,692)	-	(199,692)
Total comprehensive loss for the half-year	-	-	(199,692)	(1,016,675)	(1,216,367)
Balance at 31 December 2012	75,700,097	3,588,520	(6,740,708)	(64,168,954)	8,378,955
Balance at 1 July 2013	75,992,714	3,588,520	(5,733,173)	(76,814,627)	(2,966,566)
Loss for the period	-	-	-	(435,086)	(435,086)
Other comprehensive income	-	-	(12,686)	-	(12,686)
Total comprehensive loss for the half-year	-	-	(12,686)	(435,086)	(447,772)
Conversion of convertible note	9,684,969	-	-	-	9,684,969
Share issue costs	(17,135)	-	-	-	(17,135)
Options issued	-	5,660	-	-	5,660
Balance at 31 December 2013	85,660,548	3,594,180	(5,745,859)	(77,249,713)	6,259,156

Kairiki Energy Limited

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2013

	Consolidated	
	Half-Year ended 31 Dec 2013 \$	Half-Year ended 31 Dec 2012 \$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(533,417)	(622,112)
Interest received	7,984	17,172
Interest and other costs of finance paid	(2,751)	(165,115)
Net cash used in operating activities	(528,184)	(770,055)
Cash Flows from Investing Activities		
Proceeds from sale of joint operation inventory	125,241	-
Expenditure on exploration and evaluation	-	(108,806)
Additional proceeds from 2009 sale of mineral tenements	-	250,000
Net cash provided by investing activities	125,241	141,194
Cash Flows from Financing Activities		
Proceeds from borrowings	240,000	-
Net cash provided by financing activities	240,000	-
Net change in cash and cash equivalents	(162,943)	(628,861)
Cash and cash equivalents at beginning of half-year	306,822	1,340,357
Effect of exchange rate changes	4,781	(5,139)
Cash and cash equivalents at end of half-year	148,660	706,357

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2013

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as the annual financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Kairiki Energy Limited as at 30 June 2013. It is also recommended that the half-year financial report be considered together with any public announcements made by Kairiki Energy Limited during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

The half-year financial report has been prepared in accordance with the historical cost basis.

The half-year consolidated financial statements comprise the financial statements of Kairiki Energy Limited and its subsidiaries ("Group") as at 31 December 2013.

Going Concern

As at 31 December 2013, the Group had net current liabilities of \$145,934.

The ability of the Group to continue as a going concern is principally dependent upon the following:

- The successful commercial exploitation of the Group's oil and gas resources;
- A farm-down or sale of its interest in SC 54A and SC 54B; and
- Raising additional capital to fund the Group's ongoing exploration and development program and working capital requirements, as and when required.

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The Directors are satisfied that the going concern basis of preparation is appropriate. In particular, the Directors are confident of the Company's ability to raise additional funds as and when they are required. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the consolidated entity be unable to raise the funding referred to above, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and, therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the consolidated entity be unable to continue as a going concern.

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2013

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2013, except as stated below.

New Accounting Standards and Interpretations

Since 1 July 2013 the Group has adopted all Australian Accounting Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2013, including:

- *AASB 10 Consolidated Financial Statements*

AASB 10 establishes a new control model that applies to all entities. The new control model broadens the situations in which an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control.

- *AASB 11 Joint Arrangements*

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. It removes the option to account for jointly controlled entities using proportionate consolidation. Joint operations, which give the parties rights to the underlying assets and obligations for the liabilities, are accounted for by recognising their share of those assets and liabilities. Joint ventures, which give the parties rights to the net assets of the joint venture and are always structured through a separate vehicle, are accounted for using the equity method. The Group's joint arrangements in respect of Service Contract 54 in the Philippines are joint operations since the parties share joint control and they are unincorporated.

- *AASB 12 Disclosure of Interests in Other Entities*

New disclosures have been introduced regarding the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries. None of these disclosure requirements are applicable to the half-year financial report.

- *AASB Fair Value Measurement*

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. It does not change when an entity is required to use fair value, but rather provides guidance on how to determine fair value when fair value is required or permitted. AASB 13 also expands the disclosure requirements for all assets and liabilities carried at fair value.

- *AASB 19 Employee Benefits*

This standard changes the definition of short-term employee benefits. The distinction between short-term and long-term employee benefits is now based on whether the benefits are expected to be wholly settled within 12 months of the reporting date.

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2013

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards and Interpretations (continued)

- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]*
- Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*
- AASB 2012-5 *Annual Improvements to the IFRS 2009-2011 Cycle*

None of these standards had a material effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

2. EARNINGS PER SHARE

The Company's potential ordinary shares, being its options on issue, are not considered dilutive as the conversion of the options would result in a decreased net loss per share.

The comparative earnings per share have been adjusted for the share consolidation that took place during the current half-year.

3. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	1 July 2013 – 31 Dec 2013 \$	1 July 2012 – 30 June 2013 \$
Opening balance	6,341,570	15,746,226
Additions	-	122,065
Sale of joint operation inventory	(125,241)	-
Expenditure written off during the year	-	(11,291,579)
Foreign currency translation movements	188,678	1,764,858
Total deferred exploration and evaluation expenditure	6,405,007	6,341,570

Deferred exploration and evaluation expenditure is represented by expenditure relating to the SC 54A permit, which includes Yakal and various other prospects, and the SC 54B permit.

The ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation of the permits or, alternatively, sale.

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2013

4. BORROWINGS

	Consolidated	
	31 Dec 2013	30 June 2013
	\$	\$
<i>Current</i>		
Loan from related party – IMC	240,000	-
	<u>240,000</u>	<u>-</u>

The loan is interest-bearing, is secured against the assets of the Company and its subsidiary Yilgarn Petroleum Philippines Pty Ltd, and is due for repayment within 6 months from November 2013. The drawdown facility limit is \$488,000.

5. CONVERTIBLE NOTES

On 12 November 2013 shareholders approved the issue of 174,454,400 fully paid ordinary shares to IMC, thereby extinguishing US\$8,089,250 in secured convertible note debt.

	Consolidated	
	31 Dec 2013	30 June 2013
	\$	\$
<i>Current</i>		
Financial liability measured at amortised cost	-	8,559,084
Derivative financial instrument	-	952,150
	<u>-</u>	<u>9,511,234</u>

	Consolidated	
	1 July 2013 – 31 Dec 2013	1 July 2012 – 30 June 2013
	\$	\$
<i>Movement in debt component</i>		
Opening balance	8,559,084	6,631,397
Accretion of debt	169,085	881,659
Capitalised interest	84,109	126,623
Amortisation of issuance and restructuring costs	6,703	34,949
Transfer to equity on conversion	(8,722,719)	-
Foreign currency translation movements	(96,262)	884,456
Closing balance	<u>-</u>	<u>8,559,084</u>

	Consolidated	
	1 July 2013 – 31 Dec 2013	1 July 2012 – 30 June 2013
	\$	\$
<i>Movement in embedded derivative component</i>		
Opening balance	952,150	752,030
Fair value movements	-	110,027
Transfer to equity on conversion	(962,250)	-
Foreign currency translation movements	10,100	90,093
Closing balance	<u>-</u>	<u>952,150</u>

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2013

6. ISSUED CAPITAL

	Consolidated	
	31 Dec 2013 \$	30 June 2013 \$
<i>Share Capital</i>		
Ordinary shares fully paid	85,660,548	74,103,153
Equity portion of convertible note	-	1,889,561
Closing balance	85,660,548	75,992,714
<i>Movement in ordinary shares on issue</i>	Number	\$
At 30 June 2012	2,688,363,837	73,810,536
Placement	295,000,000	295,000
Share issue transaction costs	-	(2,383)
At 30 June 2013	2,983,363,837	74,103,153
Share consolidation	(2,923,695,757)	-
Conversion of convertible notes	174,454,400	11,574,530
Share issue transaction costs	-	(17,135)
At 31 December 2013	234,122,480	85,660,548

7. FAIR VALUES OF FINANCIAL INSTRUMENTS

Recurring fair value measurements

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs that are not based on observable market data.

The fair value of the listed equity investments is based on quoted market prices (Level 1). Quoted market prices represent the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

The Group's financial assets measured and recognised at fair value at 31 December 2013 and 30 June 2013 are as follows:

	31 Dec 2013 \$	30 June 2013 \$
<i>Level 1 – Quoted Market Price</i>		
Financial assets classified as available for sale	10,084	32,772

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2013

7. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial instruments not measured at fair value

The following instruments are not measured at fair value in the statement of financial position. They had the following fair values at 31 December 2013:

	Carrying Amount	Fair Value
	\$	\$
<i>Non-current liabilities</i>		
Borrowings	240,000	240,000

Due to their short-term nature, the carrying amounts of current receivables and current trade and other payables is assumed to equal their fair value.

8. SHARE-BASED PAYMENTS

3,000,000 unlisted options with an exercise price of 10 cents and an expiry date of 30 June 2015 were issued to IMC in consideration for IMC paying its own legal costs and other expenses for the rights issue offer in April 2013 and the convertible note conversion. The fair value of the options was estimated at \$5,660 using a binomial model and the following assumptions:

Dividend yield (%)	Nil
Expected volatility (%)	100%
Risk-free interest rate (%)	2.63%
Expected life (years)	1.2
Exercise price (cents)	10.0
Share price at grant date (cents)	0.02
Fair value per option (cents)	0.19

9. RELATED PARTY INFORMATION

Ultimate Parent

As a result of the conversion to equity of the convertible note, IMC Oil & Gas Investments Limited ("IMC") became the ultimate parent entity of the Group. IMC, a private company incorporated in the British Virgin Islands, holds 77.0% the issued capital of Kairiki Energy Limited. The ultimate parent of IMC is IMC Pan Asia Alliance Corporation, a private company incorporated in the British Virgin Islands.

Loan from Related Party

IMC provided the Group with a drawdown facility with a limit of \$488,000. At 31 December 2013 it had been drawn down by \$240,000. Refer to Note 4.

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2013

10. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the phase of operation within the oil and gas industry. At the current time and during the comparative period, the Group's only operating segment has been exploration and evaluation, which includes assets that are associated with the determination and assessment of the existence of commercial economic reserves.

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

Consolidated	Oil & Gas Exploration & Evaluation \$	Total \$
31 December 2013		
Segment revenue	-	-
Unallocated items:		
Interest revenue		3,451
Foreign exchange gains		292,908
Total revenue and other income		296,359
Segment result	(13,024)	(13,024)
Unallocated items:		
Unallocated revenue and other income		296,359
Corporate and other costs		(433,085)
Impairment of financial assets classified as available for sale		(22,688)
Finance costs		(262,648)
Loss after tax as per the statement of profit or loss and other comprehensive income		(435,086)
Segment assets	6,405,007	6,405,007
Unallocated items:		
Cash		148,660
Other corporate assets		38,278
Total assets		6,591,945

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2013

10. SEGMENT REPORTING (CONTINUED)

Consolidated	Oil & Gas Exploration & Evaluation \$	Total \$
31 December 2012		
Segment revenue	-	-
Unallocated items:		
Interest revenue		17,172
Deferred proceeds from sale of mineral tenements		250,000
Foreign exchange gains		18,964
Total revenue and other income		<u>286,136</u>
Segment result	(11,700)	(11,700)
Unallocated items:		
Unallocated revenue and other income		286,136
Corporate and other costs		(621,294)
Finance costs		(620,408)
Fair value loss on embedded derivative		(49,409)
Loss after tax as per the statement of profit or loss and other comprehensive income		<u>(1,016,675)</u>
Segment assets as at 30 June 2013	6,341,570	6,341,570
Unallocated items:		
Cash		306,822
Other corporate assets		82,605
Total assets		<u>6,730,997</u>

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2013

11. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the reporting period 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.

ROTHSAY

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Phone (08) 9486 7094 www.rothsayresources.com.au

Independent Review Report to the Members of Kairiki Energy Ltd

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Kairiki Energy Ltd for the half-year ended 31 December 2013.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2013 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Kairiki Energy Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Kairiki Energy Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2013 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Chartered Accountants



Emphasis of Matter regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which indicates the basis for preparing the accounts on a going concern basis. We note the consolidated entity had net current liabilities of \$145,934 as at 31 December 2013.

As stated in Note 1 in the event the consolidated entity is unable to raise additional funds there is significant uncertainty as to whether the consolidated entity could 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 for the amounts stated in the financial report.

Rothsay

Graham R Swan
Partner

Dated 12 March 2014



Chartered Accountants

ROTHSAY

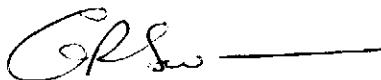
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Kairiki Energy Ltd
Level 9, 190 St Georges Tce
Perth WA 6000

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 review of the 31 December 2013 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.



Graham R Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 12 March 2014



Chartered Accountants