

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**Kairiki Energy Limited**

ABN

**34 002 527 906**

Quarter ended ("current quarter")

**31 December 2010**

### Consolidated statement of cash flows

| Cash flows related to operating activities        |  | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|---|--|----------------------------|---------------------------------------|
| 1.1   | Receipts from product sales and related debtors            | -                          | 4,775                                 |
| 1.2   | Payments for   |                            |                                       |
|   | (a) exploration and evaluation                             | (110)                      | (123)                                 |
|   | (b) development *  | (8,684)                    | (17,734)                              |
|   | (c) production   | -                          | -                                     |
|   | (d) administration   | (574)                      | (1,089)                               |
| 1.3   | Dividends received   | -                          | -                                     |
| 1.4   | Interest and other items of a similar nature received      | 14                         | 30                                    |
| 1.5   | Interest and other costs of finance paid                   | (231)                      | (585)                                 |
| 1.6   | Income taxes paid  | -                          | -                                     |
| 1.7   | Other (provide details if material)                        | -                          | -                                     |
| <b>Net Operating Cash Flows</b>                   |  | <b>(9,585)</b>             | <b>(14,726)</b>                       |
| <b>Cash flows related to investing activities</b> |  |                            |                                       |
| 1.8   | Payment for purchases of:                                  |                            |                                       |
|   | (a) prospects  | -                          | -                                     |
|   | (b) equity investments                                     | -                          | -                                     |
|   | (c) other fixed assets                                     | (1)                        | (6)                                   |
| 1.9   | Net proceeds from sale of:                                 |                            |                                       |
|   | (a) prospects  | (88)                       | 1,174                                 |
|   | (b) equity investments                                     | -                          | -                                     |
|   | (c) other fixed assets                                     | -                          | -                                     |
| 1.10  | Loans to other entities                                    | -                          | -                                     |
| 1.11  | Loans repaid by other entities                             | -                          | -                                     |
| 1.12  | Other (provide details if material)                        | -                          | -                                     |
| <b>Net investing cash flows</b>                   |  | <b>(89)</b>                | <b>1,168</b>                          |
| 1.13  | Total operating and investing cash flows (carried forward) | <b>(9,674)</b>             | <b>(13,558)</b>                       |

|      |   |                |                |
|------|---|----------------|----------------|
| 1.13 | Total operating and investing cash flows (brought forward)  | (9,674)        | (13,558)       |
|      | <b>Cash flows related to financing activities</b>           |                |                |
| 1.14 | Proceeds from issues of shares, options, etc (net of costs) | 7,945          | 7,932          |
| 1.15 | Proceeds from sale of forfeited shares                      | -              | -              |
| 1.16 | Proceeds from borrowings – convertible notes (net of costs) | -              | -              |
| 1.17 | Repayment of borrowings                                     | -              | -              |
| 1.18 | Dividends paid  | -              | -              |
| 1.19 | Other (provide details if material)                         | -              | -              |
|      | <b>Net financing cash flows</b>                             | <b>7,945</b>   | <b>7,932</b>   |
|      | <b>Net increase (decrease) in cash held</b>                 | <b>(1,729)</b> | <b>(5,626)</b> |
| 1.20 | Cash at beginning of quarter/year to date                   | 4,746          | 9,028          |
| 1.21 | Exchange rate adjustments to item 1.20                      | (137)          | (522)          |
| 1.22 | <b>Cash at end of quarter</b>                               | <b>2,880</b>   | <b>2,880</b>   |

\* On 29 December 2010 the decision was taken to abandon the Tindalo well.

### Payments to directors of the entity and associates of the directors

### Payments to related entities of the entity and associates of the related entities

|   | Current quarter<br>\$A'000 |
|---|----------------------------|
| 1.23 Aggregate amount of payments to the parties included in item 1.2 | 84                         |
| 1.24 Aggregate amount of loans to the parties included in item 1.10   | -                          |

### 1.25 Explanation necessary for an understanding of the transactions

- payment of directors' fees;
- payment of consulting fees to directors.

### Non-cash financing and investing activities

#### 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

#### 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

### Financing facilities available

Add notes as necessary for an understanding of the position.

|  | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|--|-----------------------------|------------------------|
| 3.1 Loan facilities – convertible note | 9,377 (US\$9,530)           | 9,377 (US\$9,530)      |
| 3.2 Credit standby arrangements        | -                           | -                      |

### Estimated cash outflows for next quarter\*

|                                | \$A'000      |
|--------------------------------|--------------|
| 4.1 Exploration and evaluation | 1,501        |
| 4.2 Development**              | 7,789        |
| 4.3 Production                 | -            |
| 4.4 Administration             | 357          |
| <b>Total</b>                   | <b>9,647</b> |

\* Expected outflows for the next quarter do not include the recognition of any revenue expected to be received from the sale of the Tindalo inventory of oil at 31 December 2010.

Furthermore, the Company completed a placement on 31 January 2011 for gross proceeds of \$3.48 million and has announced an underwritten rights issue for up to \$8,898,920 which is expected to close in March 2011.

\*\* Development costs also include cost associated with the abandonment and decommissioning of the Tindalo project after the decision was made on 29 December 2010 to abandon the well.

### Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank  | 2,880                      | 4,746                       |
| 5.2 Deposits at call  | -                          | -                           |
| 5.3 Bank overdraft  | -                          | -                           |
| 5.4 Other   | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b>  | <b>2,880</b>               | <b>4,746</b>                |

### Changes in interests in mining tenements

|   | Tenement<br>reference | Nature of interest<br>(note (2)) | Interest at<br>beginning<br>of quarter | Interest at<br>end of<br>quarter |
|---|-----------------------|----------------------------------|--|----------------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | Nil                   |                                  |  |                                  |
| 6.2 Interests in mining tenements acquired or increased           | Nil                   |                                  |  |                                  |

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

|      |   | Total number              | Number quoted             | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|------|---|---------------------------|---------------------------|---|--|
| 7.1  | <b>Preference securities</b><br>(description)   |                           |                           |   |  |
| 7.2  | Changes during quarter  |                           |                           |   |  |
| 7.3  | <b>*Ordinary securities</b>   | 773,891,998               | 773,891,998               |   | Fully paid                                       |
| 7.4  | Changes during quarter<br>(a) Increases through issues:<br>Placement<br>Rights issue<br><br>(b) Decreases through returns of capital, buy-backs | 84,000,000<br>128,982,000 | 84,000,000<br>128,982,000 | 4 cents<br>4 cents                            | 4 cents<br>4 cents                               |
| 7.5  | <b>*Convertible debt securities</b><br>(description)<br>Convertible Notes   | 10,000,000                | -                         | US\$1 per note                                | US\$0.953 per note                               |
| 7.6  | Changes during quarter  |                           |                           |   |  |
| 7.7  | <b>Options</b><br>(description and conversion factor)   | 500,000                   | -                         | Exercise price<br>30 cents                    | Expiry date<br>31/5/2011                         |
| 7.8  | Issued during quarter   |                           |                           |   |  |
| 7.9  | Exercised during quarter  |                           |                           |   |  |
| 7.10 | Expired during quarter  |                           |                           |   |  |
| 7.11 | <b>Debentures</b><br>(totals only)  |                           |                           |   |  |
| 7.12 | <b>Unsecured notes</b> (totals only)  |                           |                           |   |  |

## Compliance statement

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: M Fenton  
(Director)

Date: 31 January 2011

Print name: Dr Mark Fenton  
Managing Director

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.