

KAIRIKI ENERGY LIMITED

ABN 34 002 527 906

Half-Year Report

31 December 2015

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 45
108 St Georges Terrace
Perth WA 6000

Telephone: (08) 9486 7066

Facsimile: (08) 9486 8066

Website: www.kairikienergy.com

Share Registry

Computershare Investor Services Pty Ltd
Level 11
172 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 2015.

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 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 2015 from continuing operations was \$301,718 (2014: \$118,375). The net loss included the following items:

- General and administration costs of \$336,337 (2014: \$149,872); and
- Cash interest expenses of \$12,110 (2014: \$23,296).

Disposal of Interest in SC 54A and SC 54B

On 8 June 2015 the Company entered into Share Purchase Agreement with IMC for the disposal of its entire interest in the share capital of its subsidiary Yilgarn Petroleum Philippines Pty Ltd ("Yilgarn"). Yilgarn was the holder of the Company's interest in Service Contract 54A and 54B in the Philippines, which was the Company's main undertaking. Shareholder approval was granted on 19 August 2015 and the transaction was completed on 27 November 2015.

A gain on disposal of \$1,167,837 was recognised, largely relating to the reclassification from equity of cumulative exchange differences relating to the net assets of Yilgarn. Refer to Note 3 of the attached financial statements for further details.

Corporate

The IMC drawdown facility was drawn down by \$296,000 during the half-year and repaid with the proceeds from the disposal of Yilgarn.

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 2015 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.

Kairiki Energy Limited

Directors' Report

Events Subsequent to Reporting Date

No other 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

15 March 2016

Kairiki Energy Limited

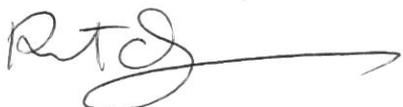
Directors' Declaration

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 2015 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



Robert Downey
Director

15 March 2016

Kairiki Energy Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2015

	Note	Consolidated Half-Year ended 31 Dec 2015 \$	Half-Year ended 31 Dec 2014 \$
Continuing operations			
Revenue and other income			
Interest revenue		11	1,578
Royalty revenue		-	2,448
Other income – foreign exchange gains		46,718	50,768
Expenses			
Finance costs		(12,110)	(23,296)
Employee benefits expense		(150,190)	(66,564)
Other costs		(186,147)	(83,308)
Loss before income tax expense		(301,718)	(118,375)
Income tax expense		-	-
Loss after tax for the period from continuing operations		(301,718)	(118,375)
Discontinued operations			
Profit / (loss) after tax for the period from discontinued operations	3	1,156,603	(13,710)
Profit / (loss) after tax for the period		854,885	(132,085)
Other comprehensive income / (loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on available for sale financial assets		3,782	-
Foreign currency translation differences		622	286,435
Reclassification to profit or loss of cumulative foreign currency gain on disposal of subsidiary		(1,208,987)	-
Total other comprehensive income / (loss)		(1,204,583)	286,435
Total comprehensive income / (loss) for the period attributable to members of Kairiki Energy Limited		(349,698)	154,350
		Cents	Cents
Profit / (loss) per share attributable to ordinary equity holders of the parent	2		
From continuing operations		(0.13)	(0.05)
From discontinued operations		0.49	(0.01)
Total		0.36	(0.06)

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

Kairiki Energy Limited

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	Consolidated	
		31 Dec 2015	30 June 2015
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		50,293	17,631
Trade and other receivables		39,683	16,174
Total Current Assets		89,976	33,805
Non-Current Assets			
Financial assets classified as available for sale		5,546	1,764
Deferred exploration and evaluation expenditure	3	-	784,000
Total Non-Current Assets		5,546	785,764
Total Assets		95,522	819,569
LIABILITIES			
Current Liabilities			
Trade and other payables		358,062	244,411
Interest-bearing loans	4	-	488,000
Total Current Liabilities		358,062	732,411
Total Liabilities		358,062	732,411
Net (Deficit) / Assets		(262,539)	87,159
EQUITY			
Issued capital		85,660,548	85,660,548
Reserves		(3,290,403)	(2,085,820)
Accumulated losses		(82,632,684)	(83,487,569)
Total Equity		(262,539)	87,159

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

Kairiki Energy Limited

Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2015

Consolidated	Issued Capital \$	Share- based Payments Reserve \$	Available for Sale Reserve \$	Translation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2014	85,660,548	3,594,180	-	(6,100,109)	(81,281,682)	1,872,937
Loss for the period	-	-	-	-	(132,085)	(132,085)
Other comprehensive income	-	-	-	286,435	-	286,435
Total comprehensive loss for the half-year	-	-	-	286,435	(132,085)	154,350
Balance at 31 December 2014	85,660,548	3,594,180	-	(5,813,674)	(81,413,767)	2,027,287
Balance at 1 July 2015	85,660,548	3,594,180	504	(5,680,504)	(83,487,569)	87,159
Profit for the period	-	-	-	-	854,885	854,885
Other comprehensive income	-	-	3,782	(1,208,365)	-	(1,204,583)
Total comprehensive loss for the half-year	-	-	3,782	(1,208,365)	854,885	(349,698)
Balance at 31 December 2015	85,660,548	3,594,180	4,286	(6,888,869)	(82,632,684)	(262,539)

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

Kairiki Energy Limited
Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2015

	Note	Consolidated	
		Half-Year ended 31 Dec 2015 \$	Half-Year ended 31 Dec 2014 \$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(217,836)	(164,191)
Royalties received		-	2,448
Interest received		11	1,578
Interest and other costs of finance paid		(20,341)	(18,578)
Net cash used in operating activities		(238,166)	(178,743)
Cash Flows from Investing Activities			
Proceeds from disposal of subsidiary	3	758,828	-
Net cash provided by investing activities		758,828	-
Cash Flows from Financing Activities			
Proceeds from borrowings		296,000	148,000
Repayment of borrowings		(784,000)	-
Net cash used in / provided by financing activities		(488,000)	148,000
Net change in cash and cash equivalents		32,662	(30,743)
Cash and cash equivalents at beginning of half-year		17,631	91,575
Effect of exchange rate changes		-	2,137
Cash and cash equivalents at end of half-year		50,293	62,969

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

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2015

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 2015. 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 2015 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 ("the Group") as at 31 December 2015.

Going Concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's assets and the discharge of its liabilities in the normal course of business.

As at 31 December 2015, the Company had cash and cash equivalents of \$50,293, a loss for the year from continuing operations of \$301,718 and a net cash outflow from operating and investing activities of \$238,166. The Company has a working capital deficiency of \$268,086.

The Board considers that the Company is a going concern and recognises that additional funding is required to ensure that it can continue to fund its operations during the twelve month period from the date of this report. Such additional funding can be derived from either one or a combination of the following:

- Raising additional equity capital to fund the Group's ongoing operations and working capital requirements, as and when required; or
- Alliance with institutional brokers for raising additional capital.

In addition, directors and their related entities have provided their support to the company by undertaking to not call upon the company for payment of outstanding fees totalling \$252,600 until the Company is in a position to repay.

Accordingly, the Directors believe that subject to prevailing equity market conditions, the Company will obtain sufficient funding to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

Should the Company be unable to obtain sufficient funding as outlined above, there is a material uncertainty that may cast significant doubt whether it will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should it not continue as a going concern.

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2015

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 2015, except as stated below.

New Accounting Standards and Interpretations

Since 1 July 2015 the Group has adopted all Australian Accounting Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2015. These standards did not have 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.

3 DISCONTINUED OPERATIONS

On 8 June 2015 the Company entered into Share Purchase Agreement with IMC for the disposal of its entire interest in the share capital of its subsidiary Yilgarn Petroleum Philippines Pty Ltd ("Yilgarn"). Yilgarn was the holder of the Company's interest in Service Contract 54A and 54B in the Philippines, which was the Company's main undertaking. Shareholder approval was granted on 19 August 2015 and the transaction was completed on 27 November 2015.

(a) Consideration received

	\$
Sale amount – cash and cash equivalents	784,000
Less: agreed deductions	(25,172)
	<u>758,828</u>

(b) Assets and liabilities over which control was lost as at 27 November 2015

	\$
<u>Non-Current Assets</u>	
Deferred exploration and evaluation expenditure	832,619
<u>Current Liabilities</u>	
Trade and other payables	(32,641)
	<u>799,978</u>

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2015

3 DISCONTINUED OPERATIONS (CONTINUED)

(c) Gain on disposal of subsidiary

	\$
Consideration received	758,828
Net assets disposed of	<u>(799,978)</u>
Loss on disposal before reclassification from equity of cumulative exchange differences relating to the net assets of the subsidiary	(41,150)
Reclassification from equity of cumulative exchange differences relating to the net assets of the subsidiary	<u>1,208,987</u>
Gain on disposal of subsidiary	<u><u>1,167,837</u></u>

The gain on disposal is included in the profit from discontinued operations (Note 3(d)).

(d) Profit / (loss) from discontinued operations

	1 July 2015 – 31 Dec 2015 \$	1 July 2014 – 31 Dec 2014 \$
Expenses	<u>(11,234)</u>	<u>(13,710)</u>
Loss before tax	(11,234)	(13,710)
Attributable income tax benefit	-	-
Loss after tax	<u>(11,234)</u>	<u>(13,710)</u>
Gain on disposal of subsidiary (Note 3(c))	<u>1,167,837</u>	<u>-</u>
Profit / (loss) from discontinued operations	<u><u>1,156,603</u></u>	<u><u>(13,710)</u></u>

4. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	1 July 2015 – 31 Dec 2015 \$	1 July 2014 – 30 June 2015 \$
Opening balance	784,000	2,193,000
Disposal of subsidiary (Note 3)	(832,619)	-
Expenditure written off during the year	-	(1,914,350)
Foreign currency translation movements	<u>48,619</u>	<u>505,350</u>
Total deferred exploration and evaluation expenditure	<u><u>-</u></u>	<u><u>784,000</u></u>

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

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2015

5. BORROWINGS

	Consolidated	
	31 Dec 2015	30 June 2015
	\$	\$
<i>Current</i>		
Loan from related party – IMC	-	488,000
	-	488,000

Further drawdowns of \$296,000 were made during the half-year. The loan was repaid with the proceeds of the disposal of Yilgarn Petroleum Philippines Pty Ltd on 27 November 2015 (refer to Note 3).

The loan was interest-bearing and secured against the assets of the Company and its subsidiary Yilgarn Petroleum Philippines Pty Ltd.

6. 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 2015 and 30 June 2015 are as follows:

	31 Dec 2015	30 June 2015
	\$	\$
<i>Level 1 – Quoted Market Price</i>		
Financial assets classified as available for sale	5,546	1,764

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.

Kairiki Energy Limited

Notes to the Financial Statements

For the Half-Year Ended 31 December 2015

7. RELATED PARTY INFORMATION

Sale of Subsidiary to Related Party

The Company's subsidiary Yilgarn Petroleum Philippines Pty Ltd was sold to IMC on 27 November 2015. Refer to Note 3.

Loan from Related Party

The IMC drawdown facility was drawn down by \$296,000 during the half-year and repaid with the proceeds of the sale of Yilgarn Petroleum Philippines Pty Ltd on 27 November 2015. Refer to Notes 3 and 5.

Transactions with Director-related Entities

A legal firm of which director Robert Downey is a principal provided services totalling \$38,232 during the half-year ended 31 December 2015 (half-year ended 31 December 2014: nil). \$7,040 including GST was owed at 31 December 2015 (\$25,212 as at 30 June 2015).

An entity related to director Robert Downey provided consulting services totalling \$40,000 during the half-year ended 31 December 2015 (half-year ended 31 December 2014: nil) and an entity related to director Stephen Harrison provided consulting services totalling \$20,000 (half-year ended 31 December 2014: nil). These amounts remained in trade creditors as at 31 December 2015.

8. 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.

9. EVENTS SUBSEQUENT TO REPORTING DATE

No other 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.



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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 2015.

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 2015 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 2015 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

Liability Limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).



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.

As stated in Note 1 in the event the consolidated entity is unable to raise additional funds there is a material 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 Auditing

**Rolf Garda
Partner**

Dated 15th March 2016



Chartered Accountants



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

The Directors
Kairiki Energy Ltd
Level 45, 108 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 2015 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.

Rolf Garda (Lead auditor)

Rothsay Auditing

Dated 15th March 2016



Chartered Accountants

Liability Limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).