Kairiki Energy Limited

ABN 34 002 527 906

ANNUAL REPORT 2015

Corporate Directory

Directors
Joseph Lacson
Peter Cockcroft
Robert Downey
Stephen Harrison

Company Secretary
Neville Bassett

Registered and Principal Office
C/- Westar Capital Limited
Level 45
108 St Georges Terrace
Perth WA 6000

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Facsimile: (08) 9486 8066

Website: www.kairikienergy.com

Share Registry
Computershare Investor Services Pty Ltd
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Perth WA 6000

Investor enquiries:
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(08) 9323 2000
Facsimile: (08) 9323 2033

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

Securities Exchange Listing
ASX Limited
(Home Branch - Perth)
ASX Code: KIK

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Oil & Gas Activities

Philippines Offshore Oil and Gas Permit

- **SC 54A - 30.1% Participating Interest**
- **SC 54B - 40% Participating Interest**

The Philippines Department of Energy has granted a moratorium on Service Contract 54 from 4 August 2014 to 5 August 2017 to give the Joint Venture sufficient time to study the development of the discovered marginal resources in the block. At the end of the moratorium period, the Joint Venture should elect to enter sub-phase 7 with a commitment to drill one well. If the Joint Venture elects to continue into the production period, the 3 year moratorium period will be automatically deducted from the initial production period.

SC 54A

No further technical work was carried out by the Joint Venture during the year.

SC 54A WORKING INTERESTS

Company	Working Interest
Nido Petroleum Philippines Pty Ltd (Nido) – *Operator*	42.4%
Yilgarn Petroleum Philippines Pty Ltd (Kairiki)	30.1%
Hague and London Oil B.V. (Halo)	15.0%
TG World (BVI) Corporation (TG World)	12.5%

SC 54B

No further technical work was carried out by the Joint Venture during the year.

SC 54B WORKING INTERESTS

Company	Working Interest
Nido Petroleum Philippines Pty Ltd (Nido) – *Operator*	60%
Yilgarn Petroleum Philippines Pty Ltd (Kairiki)	40%

DISPOSAL OF PHILIPPINES ASSETS

In October 2014, the Company entered into a binding term sheet with Focus Oil and Gas Limited (**Focus**) for the disposal of its entire interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd (**Yilgarn**). In June 2015 the Company terminated the binding term sheet due to the non-satisfaction of conditions precedent.

In contemplation of the likely non-satisfaction of the conditions precedent on the Focus agreement, ,the Company entered into discussions with its secured creditor IMC Oil & Gas Investments Ltd (**IMC**) (the Company's major shareholder and holder of a fixed and floating charge over the Company and Yilgarn) with respect to a restructure of the existing debt facility.

As a result, on 8 June 2015 the Company entered into a Share Purchase Agreement with IMC for the disposal of its entire interest in the share capital of Yilgarn (**Disposal**). Yilgarn is the holder of the Company's interest in Service Contract 54A and 54B in the Philippines, being the main undertaking of the Company.

The key terms of the Disposal are as follows:

(i) Completion of the Disposal is subject to and conditional on a number of matters, including:

(a) The Company obtaining shareholder approval for the Disposal pursuant to ASX Listing Rule 10.1 and 11.2; and

(b) Kairiki having notified the other joint venture partners of the change of control of Yilgarn pursuant to the joint operating agreement relevant to each joint venture interest; and

(c) Kairiki providing IMC with the proposed work program and budget from the operator for the current year.

(ii) The consideration to be paid by IMC for the Disposal comprises:

(a) forgiveness of debt due to IMC of an amount of $488,000 under a Finance Facility Agreement;

(b) the payment of an amount of $221,000 to cover the Company's existing indebtedness; and

(c) an amount of $75,000 to cover the costs of implementing the proposed Disposal.

The Disposal was approved by shareholders on 19 August 2015 and the company and IMC are now working towards completion.

Corporate Summary

Financing Activities

As at 30 June 2015, $488,000 had been drawn down under the drawdown facility with IMC. The loan is to be forgiven under the Share Purchase Agreement with IMC approved by shareholders on 19 August 2015.

New Ventures

During the 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.

Following the proposed Disposal of the Company's main undertaking as outlined under 'Disposal of Philippines Assets', ASX may require the Company to seek shareholder approval pursuant to ASX Listing Rule 11.1.2 and/or re-comply with Chapters 1 and 2 of the Listing Rules pursuant to ASX Listing Rule 11.1.3 with respect of any future transaction the Company may enter into.

A disposal by a listed entity of its main undertaking can also raise issues under Listing Rule 12.1 and 12.2, which oblige a listed entity to satisfy ASX on an ongoing basis that the level of its operations is sufficient, and its financial condition adequate, to warrant its continued listing and continued quotation of its securities.

ASX Guidance Note 12 states, *the disposal by a listed entity of its main undertaking may be a precursor to the entity embarking on a new business venture, either immediately or once a suitable business has been identified and acquired. In the latter case, notwithstanding Listing Rule 12.3, ASX will, in the absence of any other reason to suspend the quotation of the entity's securities, generally continue the quotation of its securities for up to six months to allow it time to identify, and make an announcement of its intention to acquire, a suitable new business.*

If an entity is not able to make an announcement of its intention to acquire a new business, within six months of completing the disposal of its main undertaking, ASX will generally exercise its discretion under Listing Rule 12.3 to suspend the quotation of its securities at the end of that six month period. The suspension will continue until the entity makes an announcement acceptable to ASX about its future activities.

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 2015.

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. All directors were in office for the entire year.

Joseph Lacson
Peter Cockcroft
Robert Downey
Stephen Harrison

INFORMATION ON DIRECTORS

Joseph Lacson
BSC, MBA
Non-Executive Director

Joseph Lacson was formerly Group Chief Financial Officer of the IMC Group, a leading privately-owned conglomerate with a diverse group of business interests worldwide and IMC Group's appointed nominee to the Board. IMC Group's key business interests include Industrial (shipping, logistics, industrial supply chain), Lifestyle/Real Estate, and Investments. Previously Mr Lacson was Chief Investment Officer of Frontier Investments and Development Partners and his previous leadership roles include CFO and Commercial Director positions at both publicly-listed and privately-held enterprises. He has over 20 years of experience in finance, strategy, and business development roles and has lived and worked in the United States, Europe, and Asia. He has an MBA with Highest Distinction from the Harvard Business School where he was a Baker Scholar.

Mr Lacson was appointed to the Board on 24 February 2014.

During the past three years, Mr Lacson has held no other listed company directorships.

Peter Cockcroft
BA (Geology & Geophysics), FRGS (Life), FAARM, Cert Bus Admin (EBS), GAICD
Non-Executive Director

Peter Cockcroft has over 35 years of experience in the international oil and gas industry. He is a member of a number of industry associations including the Institute of Directors (UK), American Association of Petroleum Geologists, Society of Petroleum Engineers (SPE), Association of International Petroleum Negotiators, International Association of Energy Economists. He is currently Chairman of the Society of Petroleum Engineers (Singapore chapter). He is a Life Fellow of the Royal Geographical Society and a Life Member of the South East Asia Petroleum Exploration Society (SEAPEX). He was a previous Distinguished Lecturer for the SPE on Risk, and was elected to the Stanford Who's Who Registry for 2011-12.

His knowledge of the Philippines is considerable, having been President of Fletcher Challenge Philippines Pty Ltd and having led Premier Oil into the Philippines in 2004.

Mr Cockcroft served as Executive Chairman until 24 February 2014.

During the past three years Mr Cockcroft held the following other listed company directorships:
- NuEnergy Gas Limited (12 April 2011 to 21 August 2014)
- Blue Energy Limited (21 August 2008 to 31 December 2012)

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

Robert 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 partner at Thompson Downey Cooper, 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 present)
- Minrex Resources NL (8 September 2014 to present)

Stephen Harrison
B.Ec, CPA
Non-Executive Director

Stephen Harrison is an accountant by background who has extensive experience in equity raisings for resource and oil and gas companies. He has held various directorships in funds management, including Sanford C Bernstein and Co and Investec. Mr Harrison has held a number of directorships in listed public companies in Australia and overseas. He was previously a director of Blue Energy Ltd and is currently a non-executive director of Exoma Energy Limited.

During the past three years Mr Harrison has held the following other listed company directorships:
- Exoma Energy Limited (26 October 2009 to present)

COMPANY SECRETARY
Neville Bassett

Mr Bassett is a chartered accountant with over 30 years of experience. He has been involved with a diverse range of Australian public listed companies in directorial, company secretarial and financial roles.

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:

Peter Cockcroft
- 3,000 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 2015, and the number of meetings attended by each Director were:

	Number Attended	**Maximum Possible**
Joseph Lacson	5	5
Peter Cockcroft	5	5
Robert Downey	5	5
Stephen Harrison	5	5

CORPORATE STRUCTURE
Kairiki Energy Limited is a limited liability company that is incorporated and domiciled in Australia.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES
The principal activities of the Company and its controlled entities during the financial year were:
- Exploration for oil and gas and the evaluation of oil and gas properties
- 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 $2,205,887 (2014: $4,467,055).

The loss for the year ended 30 June 2015 included the following expenses:

- Impairment of SC 54 deferred exploration and evaluation expenditure of $1,914,350 (2014: $3,840,722);
- General administration expenses of $331,531 (2014: $597,920); and
- Cash interest expenses of $47,012 (2014: $16,123).

Earnings per Share
The basic and diluted loss per share was 0.94 cents (2014: loss of 2.81 cents).

Financing Activities
As at 30 June 2015, $488,000 had been drawn down under the drawdown facility with IMC. The loan is to be forgiven under the Share Purchase Agreement with IMC approved by shareholders on 19 August 2015.

Summary of Financial Position
At 30 June 2015 the Group's cash reserves were $17,631 (2014: $91,575). The decrease in cash was primarily due to:

- net cash used in operating activities of $224,133

partially offset by

- proceeds from borrowings of $148,000.

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.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

On 19 August 2015, shareholders approved the disposal of the Company's entire interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd as outlined under 'Disposal of Philippines Assets' in the Operations Review. Yilgarn is the holder of the Company's interest in Service Contract 54A and 54B in the Philippines, being the main undertaking of the Company.

Other than as noted above, 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.

FUTURE DEVELOPMENTS

Kairiki intends to continue its program of reviewing new business opportunities in an effort to recapitalise and reinvigorate the asset portfolio of the Group.

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

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. 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.

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 Executive Directors and full time executives receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives 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 and Executive 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, including oil and gas exploration and new business ventures, 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.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate.

Compensation may consist of the following key elements:

- Fixed Compensation;
- Variable Compensation;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

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.

Variable Pay — Long Term Incentives

The objective of long term incentives is to reward Directors/Executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the Director's/Executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Long term incentives (LTIs) granted to Directors/Executives are delivered in the form of options.

LTI grants to Executives are delivered in the form of share options. These options are issued at an exercise price and with vesting conditions determined by the Board at the time of issue.

The objective of the granting options is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTIs are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the Executive and the responsibilities the Executive assumes in the Company.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

On resignation, any LTI options that have vested or that will vest during the notice period will be released. LTI options that have not yet vested will be forfeited.

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

The option component of Key Management Personnel remuneration is designed to align remuneration and shareholder wealth. 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.

	2015	2014	2013	2012	2011
Loss after tax (A$'000)	2,206	4,467	13,662	3,160	43,006
Closing share price (A$) (i)	0.003	0.008	0.05	0.1	0.175

(i) The closing share prices for 2011 - 2013 have been adjusted for the share consolidation on 28 November 2013.

E. Use of remuneration consultants

To ensure the Board is fully informed when making remuneration decisions, it may seek external remuneration advice. Remuneration consultants are engaged by, and report directly to, the Board. In selecting remuneration consultants, the Board considers potential conflicts of interest and requires independence from key management personnel and other executives as part of their terms of engagement.

No remuneration consultants were engaged during the year ended 30 June 2015.

F. Details of remuneration for year

Details of Key Management Personnel are set out below.

Directors

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

Executives

Neville Bassett	Company Secretary

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								
J Lacson	**2015**	**-**	**15,000**	**-**	**-**	**-**	**15,000**	**-**
Appointed 10/9/2013	2014	-	-	-	-	-	-	-
P Cockcroft	**2015**	**-**	**33,000**	**-**	**-**	-	**33,000**	**-**
	2014	39,000	45,000	-	-	-	84,000	-
R Downey	**2015**	**-**	**33,000**	**-**	**-**	**-**	**33,000**	**-**
	2014	-	39,000	-	-	-	39,000	-
S Harrison	**2015**	**-**	**33,000**	**-**	**-**	**-**	**33,000**	**-**
	2014	-	40,000	-	-	-	40,000	-
S Wood	**2015**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Resigned 10/9/2013	2014	-	-	-	-	-	-	-
Executives								
N Bassett	**2015**	**55,000**	-	**-**	**-**	**-**	**55,000**	**-**
	2014	60,000	-	-	-	-	60,000	-

No performance-related payments were made during the year. Performance hurdles are not attached to remuneration options, however, the Board determines appropriate vesting periods to provide rewards over a period of time to key management personnel.

G. 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 2015.

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

No key management personnel exercised options during the years ended 30 June 2015.

I. Option holdings of Key Management Personnel

No key management personnel held options during the year ended 30 June 2015.

J. Share holdings of Key Management Personnel

	Balance at 30 June 2014	Options exercised	Change due to appointment / (resignation)	Net change other	Balance at 30 June 2015
2015					
Directors					
J Lacson	-	-	-	-	-
P Cockcroft	3,000	-	-	-	3,000
R Downey	-	-	-	-	-
S Harrison	-	-	-	-	-
Executives					
N Bassett	12,000	-	-	-	12,000
	15,000	-	-	-	15,000

K. Other transactions and balances with Key Management Personnel

There were no other transactions or balances with Key Management Personnel.

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 2015 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 has in place an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against its Directors and Officers, and 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.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers or the limit of liability covered by the policy has not been disclosed. This is permitted under Section 300(9) of the Corporations Act 2001.

NON-AUDIT SERVICES

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

AUDITOR INDEPENDENCE

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.

For and on behalf of the Board.

Robert Downey
Director
30 September 2015

This Corporate Governance statement of Kairiki Energy Limited (the 'company') has been prepared in accordance with the 3rd Edition of the Australia Securities Exchanges ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations').

The Recommendations are guidelines and not prescriptions. The Council recognises that the range in size and diversity of companies is significant and that smaller companies from the outset may face particular issues in following all the Recommendations. If a company considers that a Recommendation is not appropriate to its particular circumstances, it has the flexibility not to adopt it.

The Board has adopted the best practice Recommendations as outlined by the Council to the extent that is deemed appropriate considering the current size and operations of the company.

This statement has been approved by the company's Board of Directors ('Board') and is current as at 30 September 2015.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 - A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations and strives to meet those expectations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The role of the Board is to oversee and guide the management of Kairiki Energy Ltd with the aim of protecting and enhancing the interests of its shareholders and taking into account the interests of other stakeholders including employees and the wider community.

The Board has adopted a formal Charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The Board is responsible for setting the strategic direction of the Company, establishing goals for management and monitoring the achievement of those 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.

The Board's charter is available on the company's website at www.kairikienergy.com.

Recommendation 1.2 - A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The company undertakes comprehensive reference checks prior to appointing a director or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. An election of directors is held each year. A director that has been appointed during the year must stand for election at the next Annual General Meeting ('AGM'). Directors are appointed for a maximum term of three years. Retiring directors are not automatically re-appointed. The company provides to shareholders in the Notice of AGM relevant information for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The Board's charter, which is available on the company's website at www.kairikienergy.com more fully sets out the specific responsibilities of the Board. Corporate expectations are set out in the directors' letters of appointment.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The terms of the appointment of a non-executive director are set out in writing and cover matters such as the term of appointment, time commitment envisaged, required committee work and other special duties, requirements to disclose their relevant interests which may affect independence, corporate policies and procedures, indemnities, and remuneration entitlements.

Executive directors and senior executives, where applicable, are issued with service contracts which detail the above matters as well as the person or body to whom they report, the circumstances in which their service may be terminated (with or without notice), and any entitlements upon termination.

Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.

Recommendation 1.5 – A listed entity should (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the workplace gender equality act, the entity's most recent "gender equality indicators", as defined in and published under that act.

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.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*.
The Diversity Policy does not form part of an employee's contract of employment with the company, nor gives rise to contractual obligations. However, to the extent that the Diversity Policy requires an employee to do or refrain from doing

something and at all times subject to legal obligations, the Diversity Policy forms a direction of the company with which an employee is expected to comply.

RESPONSIBILITIES

The Board is responsible for developing measurable objectives (and these will be developed when the Board believes that the Company has reached a level of development that warrants these objectives) and strategies to meet the Objectives of the Diversity Policy (**Measurable Objectives**). The Board is also responsible for monitoring the progress of the Measurable Objectives through the monitoring, evaluation and reporting mechanisms listed below. The Board may also set Measurable Objectives for achieving gender diversity and monitor their achievement.

The Board will conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.

The Company's diversity 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;
- encouraging female participation across a range of roles across the Company;
- reviewing and reporting on the relative proportion of women and men in the workforce at all levels of the Company;
- articulating a corporate culture which supports workplace diversity and in particular, recognizes that employees at all levels of the Company may have domestic responsibilities;
- developing 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 executives or full-time employees. 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.

MONITORING AND EVALUATION

The Chairman will monitor the scope and currency of this policy.

The company with oversight form the Board is responsible for implementing, monitoring and reporting on the Measurable Objectives.

Measurable Objectives if set by the Board will be included in the annual key performance indicators for the Chief Executive Officer / Chief Operations Officer and senior executives.

In addition, the Board will review progress against the Objectives (if set) as a key performance indicator in its annual performance assessment.

REPORTING

The Board may include in the Annual Report each year:

- the Measurable Objectives, if any, set by the Board;
- progress against the Objectives; and
- the proportion of women employees in the whole organisation, at senior management level and at Board level.

No entity within the consolidated entity is a ‘relevant employer’ for the purposes of the Workplace Gender Equality Act 2012 and therefore no Gender Equality Indicators to be disclosed.

Recommendation 1.6 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board has not adopted any formal procedures for the review of the performance of the Board, however the Board has adopted an on-going self-evaluation process to measure its own performance, which is currently considered to meet the Board’s obligations sufficiently.

The review process takes into consideration all of the Board’s key areas of responsibility and accountability and is based on an amalgamation of factors including capability, skill levels, understanding of industry complexities, risks and challenges, and value adding contributions to the overall management of the business. The self-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

The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report;
- the annual general meeting and other meetings to obtain shareholder approval for Board actions as appropriate; and
- continuous disclosure in accordance with ASX Listing Rule 3.1 and the Company's continuous disclosure policy.

Recommendation 1.7 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board has not adopted any formal procedures for the review of the performance of senior executives, however the Board will, as required, adopt an on-going assessment process to measure senior executive performance, with outcomes utilised to determine senior executive remuneration.

At the date of this report the Company has no executives or full-time employees.

Principle 2: Structure the board to add value

Recommendation 2.1 - The board of a listed entity should (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The functions that would be performed by a nomination committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company’s Board and the stage of the Company’s development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 2.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company’s circumstances.

Recommendations of candidates for new directors are made by the directors for consideration by the Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. If a candidate is recommended by a director, the Board assesses that proposed new director against a range of criteria including background, experience, professional skills, personal qualities, the potential for the candidate’s skills to augment the existing Board and the candidate’s availability to commit to the Board’s activities. If these criteria are met and the Board appoints the candidate as a director, that director must retire at the next following General Meeting of Shareholders and will be eligible for election by shareholders at that General Meeting.

Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

In view of its size the Board does not maintain a formal skills matrix that sets out the mix of skills and diversity that the Board aims to achieve in its membership. However, the individual directors and the Board as a whole recognise the importance for the Board to have the skills, knowledge, experience and diversity of background required to effectively steer the company over time in response to market developments, opportunities and challenges. The Board recognises certain core skills that are required for the Board to ensure effective stewardship of the company. These include business and strategic expertise, experience with financial markets, industry knowledge, accounting and finance skills, project management experience and personal ethics, attributes and skills. The current Board members represent individuals that have extensive business and industry experience as well as professionals that bring to the Board their specific skills in order for the company to achieve its strategic, operational and compliance objectives. Their suitability to the directorship has been determined primarily on the basis of their ability to deliver outcomes in accordance with the company's short and longer term objectives and therefore deliver value to shareholders.

Recommendation 2.3 - A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

Director's name	**Appointment date**	**Length of service at reporting date**	**Independence status**
Peter Cockcroft	26 April 2012	3 years 5 months	Independent – Non-Executive Director
Robert Downey	15 February 2013	2 years 7 months	Independent – Non-Executive Director
Stephen Harrison	15 February 2013	2 years 7 months	Independent – Non-Executive Director
Joseph Lacson	10 September 2013	2 years	Not Independent – Non-Executive Chairman

The Board has reviewed the position and associations of each of the directors in office at the date of this report and considers that Mr Peter Cockcroft, Mr Robert Downey and Mr Stephen Harrison are independent non-executive directors. Mr Joseph Lacson, Non-Executive Chairman is not considered independent in terms of Recommendation 2.3 as he is an appointee of the Company's major shareholder. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of other directors, as appropriate.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.

Having regard to the response to Recommendation 2.3 above, a majority of the Board is comprised of independent directors.

Recommendation 2.5 - The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Chair is not independent as disclosed in Recommendation 2.3. Given the size and scale of the Company's operations during the year, the Board did not consider it essential to appoint an independent Chair simply in order to comply with the Corporate Governance Council's Recommendations. The Board considers that, at this stage of the Company's development, the role carried out by the Chairman, as representative of the Company's major shareholder, is in the best interests of the Company.

Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The company has, due to the Board's size, an informal induction process. New directors are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the company concerning performance of directors.

Directors receive a formal letter of appointment setting out the key terms and conditions relevant to that appointment. Generally, directors undertake their own continuing education.

Principle 3: Act ethically and responsibly

Recommendation 3.1 - A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.

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.

The Code of Conduct is posted on the company's website.

Securities Trading by Directors and Employees

Kairiki Energy Ltd has adopted a Securities Trading Policy. The policy summarises the law relating to insider trading and sets out the policy of the company on directors, officers, employees and consultants dealing in securities of the company. The Securities Trading Policy is available on the company's website.

This policy is provided to all directors and employees and compliance with it is reviewed on an ongoing basis in accordance with the company's risk management systems.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1 - The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The functions that would be performed by an audit committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 4.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

However meetings are held throughout the year between the Board, the Company Secretary and the company's auditors to discuss the company's ongoing activities and any proposed changes prior to their implementation.

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.

Details of the qualifications and experience of the members of the Committee, being the full Board, are contained in the 'Information of directors' section of the Directors' report.

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.

Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

For the financial year ended 30 June 2015 and the half-year ended 31 December 2014, the company's CEO and CFO, or equivalents, provided the Board with the required declarations.

Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

A representative of the company's external audit firm attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 - A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the listing rules; and (b) disclose that policy or a summary of it.

The company maintains a written policy that outlines the responsibilities relating to the directors, officers and employees in complying with the company's continuous disclosure obligations. Where any such persons are of any doubt as to whether they possess information that could be classified as market sensitive, they are required to notify the Company Secretary immediately in the first instance. The policy provides the mechanism by which relevant market sensitive information that may have a material effect on the price of the company's securities is released to the ASX in a timely manner.

The Company Secretary has primary responsibility for the disclosure of material information to ASIC and ASX and maintains a procedural methodology for disclosure, as well as for record keeping.

The Board reviews the Company's compliance with this policy on an ongoing basis and will update it from time to time, if necessary.

The company's Continuous Disclosure Policy is available on its website.

Principle 6: Respect the rights of security holders

Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.

The company maintains information in relation to corporate governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the company's website.

Recommendations 6.2 and 6.3

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).

The company is committed to promoting effective communications with shareholders by ensuring they and the investment market generally are provided with full and timely disclosure of its activities and providing equal opportunity for all stakeholders to receive externally available information issued by the company in a timely manner. The company provides shareholders with periodic updates on its business. Shareholders are encouraged to communicate by electronic means and to participate at the Annual General Meeting, to ensure a high level of accountability and identification with the company's strategy and goals.

The company's Shareholder Communication Policy is available on its website.

Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Investor Services Pty Ltd at www.computershare.com.au.

Principle 7: Recognise and manage risk

Recommendations 7.1 & 7.2

The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).

The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).

The functions that would be performed by a risk committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 7.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

The Board reviews risks to the company at regular Board meetings. 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.

The company manages material business risks under a risk management policy which is available on its website. There is an ongoing program to identify, monitor and manage compliance issues and material business risks with a view to enhancing the value of every shareholder's investment and safeguarding the company's investments. The Board reviews the identification, management and reporting of risk as part of the annual budget process. More frequent reviews are undertaken as conditions or events dictate.

Recommendation 7.3 - A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Board has the responsibility for ensuring the effectiveness of risk management and internal compliance and control. As part of the review process the Board considers the extent to which the risk process has been successful in retrospect with regard to the identification and mitigation of risks. This is required at all times and the Board actively promotes a culture of quality and integrity.

The company does not have an internal audit function due to its size; however the company's procedures and policies are subject to regular review. The Board also liaises closely with the company's external auditor to identify potential improvements to the risk management and internal control procedures.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. Management practices have been established to ensure:

- The Company's operations are safe and conducted in accordance with all applicable laws including the applicable health and safety regulations;
- Capital expenditure and revenue commitments above a certain size obtain prior Board approval;
- Financial exposures are controlled, including the potential use of derivatives;
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Material contracts are reviewed by qualified legal personnel and
- Business transactions are properly authorised and executed;
- The quality and integrity of personnel;
- Financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- Environmental regulation compliance.

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The company does not believe it has any material exposure to economic, environmental and social sustainability risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 - The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The functions that would be performed by a remuneration committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 8.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Details of the qualifications and experience of the members of the committee, being the full Board, is detailed in the 'Information on Directors' section of the Directors' report.

The Board oversees remuneration policy and monitors remuneration outcomes to promote the interests of shareholders by rewarding, motivating and retaining employees.

An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remuneration Report contained in the Directors' Report. Detailed disclosure of the remuneration paid to the Company's directors and executives is set within the Remuneration Report section of this annual report.

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.

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.

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

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remuneration Report contained in the Directors' Report.

The level of remuneration reflects the anticipated time commitments and responsibilities of the position having regard to the financial constraints on the company. Senior executives may be remunerated using combinations of fixed and performance based remuneration. Salaries are set at levels reflecting market rates having regard to the financial constraints on the company and performance based remuneration, when offered, will be linked to specific performance targets that are aligned to both short and long term objectives.

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

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it

The use of derivatives or other hedging arrangements for unvested securities of the company or vested securities of the company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated 2015 $	2014 $
Revenue	2(a)	**1,583**	3,459
Other income	2(b)	**85,423**	275,660
		87,006	279,119
Administrative expenses	2(c)	**331,531**	597,920
Impairment of deferred exploration and evaluation expenditure		**1,914,350**	3,840,722
Impairment of non-current financial assets classified as available for sale		**-**	31,512
Finance costs	2(c)	**47,012**	276,020
		2,292,893	4,746,174
Loss before income tax expense		**(2,205,887)**	(4,467,055)
Income tax expense	3	-	-
Loss after tax for the period		**(2,205,887)**	(4,467,055)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net gain on available for sale financial assets		**504**	-
Foreign currency translation		**419,605**	(366,936)
Other comprehensive income / (loss)		**420,109**	(366,936)
Total comprehensive loss attributable to members of Kairiki Energy Limited		**(1,785,778)**	(4,833,991)
Basic and diluted loss per share (cents per share)	4	**(0.94) cents**	(2.81) cents

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 2015

	Note	Consolidated 2015 $	2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	**17,631**	91,575
Trade and other receivables	6	**16,174**	4,556
Total Current Assets		**33,805**	96,131
Non-Current Assets			
Financial assets classified as available for sale	7	**1,764**	1,260
Deferred exploration and evaluation expenditure	8	**784,000**	2,193,000
Total Non-Current Assets		**785,764**	2,194,260
Total Assets		**819,569**	2,290,391
LIABILITIES			
Current Liabilities			
Trade and other payables	9	**244,410**	77,454
Interest-bearing loans	10	**488,000**	340,000
Total Current Liabilities		**732,410**	417,454
Total Liabilities		**732,410**	417,454
Net Assets		**87,159**	1,872,937
EQUITY			
Issued capital	11	**85,660,548**	85,660,548
Reserves	12	**(2,085,820)**	(2,505,929)
Accumulated losses		**(83,487,569)**	(81,281,682)
Total Equity		**87,159**	1,872,937

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 2015

	Issued Capital $	Share-based Payments Reserve $	Available for Sale Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance at 30 June 2013	75,992,714	3,588,520	-	(5,733,173)	(76,814,627)	(2,966,566)
Loss for the period	-	-	-	-	(4,467,055)	(4,467,055)
Other comprehensive income	-	-	-	(366,936)	-	(366,936)
Total comprehensive loss for the period	-	-	-	(366,936)	(4,467,055)	(4,833,991)
Conversion of convertible notes	9,684,969	-	-	-	-	9,684,969
Options issued	-	5,660	-	-	-	5,660
Share issue transaction costs	(17,135)	-	-	-	-	(17,135)
Balance at 30 June 2014	**85,660,548**	**3,594,180**	**-**	**(6,100,109)**	**(81,281,682)**	**1,872,937**
Loss for the period	**-**	**-**	**-**	**-**	**(2,205,887)**	**(2,205,887)**
Other comprehensive income	**-**	**-**	**504**	**419,605**	**-**	**420,109**
Total comprehensive income for the period	**-**	**-**	**504**	**419,605**	**(2,205,887)**	**(1,785,778)**
Balance at 30 June 2015	**85,660,548**	**3,594,180**	**504**	**(5,680,504)**	**(83,487,569)**	**87,159**

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 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Cash flows from operating activities			
Receipts		**2,448**	**-**
Payments to suppliers and employees		**(190,550)**	(645,000)
Exploration costs expensed		-	(15,072)
Interest received		**1,583**	7,992
Interest and other costs of finance paid		**(37,614)**	(15,840)
Net cash used in operating activities	5(i)	**(224,133)**	(667,920)
Cash flows from investing activities			
Proceeds from sale of joint operation inventory		-	125,241
Net cash used in investing activities		-	125,241
Cash flows from financing activities			
Proceeds from borrowings		**148,000**	340,000
Payments for share issue transaction costs		-	(17,135)
Net cash provided by financing activities		**148,000**	322,865
Net decrease in cash held		**(76,133)**	(219,814)
Cash at the beginning of the financial year		**91,575**	306,822
Effect of exchange rate changes		**2,189**	4,567
Cash and cash equivalents at end of year	5	**17,631**	91,575

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

1. *Summary of Significant Accounting Policies*

(a) Corporate information

The financial report of Kairiki Energy Limited ("Kairiki" or "the Company") and its subsidiaries ("the Group") for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 30 September 2015.

Kairiki is a company limited by shares incorporated in Australia whose 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.

(b) 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, with the exception of derivative financial instruments, which are measured at fair value.

The financial report is presented in Australian dollars.

Going concern

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

- Completion of the sale of its interest in SC 54A and SC 54B;
- Continued financial support by the Company's parent entity IMC Oil & Gas Investments Limited; and / or
- Raising additional capital to fund the Group's ongoing activities and working capital requirements, as and when required.

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

(c) Statement of compliance

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

(d) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2014:

- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to AASB 136 – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]*
- AASB 1031 *Materiality*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- AASB 2014-1 *Amendments to Australian Accounting Standards – Part A: Annual Improvements to IFRS 2010-2012 and 2011-2013 Cycles, Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119), Part C: Materiality, Part E: Financial Instruments*
- AASB 2014-2 *Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements*
- Interpretation 21 *Levies*

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

1. Summary of Significant Accounting Policies (continued)

(d) 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 2015 are outlined in the following table.

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9 (issued December 2014)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss • Fair value through other comprehensive income. Financial assets are measured at amortised cost or fair value through other comprehensive income if certain restrictive conditions are met. All other financial assets are measured at fair value through profit or loss. All investments in equity instruments will be measured at fair value. For those investments in equity instruments that are not held for trading, there is an irrevocable election to present gains and losses in OCI. Dividends will be recognised in profit or loss. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. The new impairment model in AASB 9 is based on an 'expected loss' model rather than an 'incurred loss' model. Entities are required to account for expected credit losses when financial instruments are first recognised. New hedge accounting requirements include changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. The entity has financial assets classified as available for sale. When AASB 9 is first adopted, the entity will reclassify these into the fair value through profit or loss category. On 1 July 2018, the cumulative fair value changes in the available for sale reserve will be reclassified into retained earnings. The change is applied retrospectively, however comparatives need not be retrospectively restated. The cumulative effect of applying the change for the first time will be recognised as an adjustment to the opening balance of retained earnings on 1 July 2018.	1 January 2018	1 July 2018

1. Summary of Significant Accounting Policies (continued)

(d) New and amended standards adopted by the Group (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]	Amends AASB 11 *Joint Arrangements* to provide guidance on accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require: (a) The acquirer to apply all of the principles on business combinations accounting in AASB 3 *Business Combinations* and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and (b) The acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to acquisitions of interests in joint operations.	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and 138)	Clarifies that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes use of an asset generally reflects factors other than the consumption of economic benefits embodied in an asset. The amendment also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The entity does not use revenue-based methods to calculate depreciation, so the amendment will have no effect.	1 January 2016	1 July 2016
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	Allows entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment is not expected to affect the entity.	1 January 2016	1 July 2016
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Amends AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* to address an inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: (a) A full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and (b) A partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if those assets are housed in a subsidiary. There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to sales or contributions of assets occurring after the application date.	1 January 2016	1 July 2016

1. Summary of Significant Accounting Policies (continued)

(d) New and amended standards adopted by the Group (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 15	Revenue from Contracts with Customers	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 the entity expects to be entitled in exchange for those goods or services. The standard introduces a 5-step approach to revenue recognition: Step 1: Identify the contract(s) with the 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. The entity currently has no revenue from customers and hence has not yet made a detailed assessment of the impact.	1 January 2018	1 July 2018
AASB 2015-1	Amendment to Australian Accounting Standards – Annual Improvements 2012-2014 Cycle	Amendments include clarifying the discount rate to be used for post-employment benefit obligations and clarifying the meaning of "elsewhere in the financial report" for interim financial statements.	1 January 2016	1 July 2016
AASB 2015-2	Amendment to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in financial statements. They make clear that materiality applies to the whole of the financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.	1 January 2016	1 July 2016
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 *Materiality*	Completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 January 2015	1 July 2015
AASB 2015-4	Amendment to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent	Aligns the relief available in AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* in respect of the financial reporting requirements for Australian groups with a foreign parent.	1 January 2015	1 July 2015

1. Summary of Significant Accounting Policies (continued)

(e) 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.

(f) Foreign currency translation

The financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the parent entity Kairiki Energy Limited is United States Dollars, due to the Company's US Dollar convertible note funding. As the Company is listed on the Australian Securities Exchange, its presentation currency is Australian Dollars.

The functional currency of subsidiary Yilgarn Petroleum Philippines Pty Ltd is also US Dollars. The functional currency of the other Australian subsidiaries is Australian Dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the rate of exchange ruling at the reporting date.

As at the reporting date the assets and liabilities of the parent entity and the subsidiary with US dollar functional currency are translated into the presentation currency of Kairiki Energy Limited at the rate of exchange at the reporting date and the statements of comprehensive income are translated at the spot rate of the transactions or average exchange rates for the period.

The exchange differences arising on translation are recognised in the foreign currency translation reserve in equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of profit or loss and other comprehensive income.

(g) 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 1(k). 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.

1. Summary of Significant Accounting Policies (continued)

(g) 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. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs.

(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.

(iii) Restoration obligations

Where a restoration obligation exists, the Group estimates the future removal costs of offshore oil and gas platforms, production facilities, wells and pipelines at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgmental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability specific discount rates to determine the present value of these cash flows. For more detail regarding the policy in respect of the provision for restoration refer to Note 1(p).

(iv) Valuation of convertible notes

The Group issued convertible notes in September and October 2008, which contained a holder call option embedded derivative. The carrying value of the call option component was based on the residual value of the debt after subtracting the debt value from the face value of the debt. The terms of the convertible note were amended during the year ended 30 June 2012 and the amended call option component valued at fair value. The notes were converted to ordinary shares during the year ended 30 June 2014. Refer to Note 13 for further information.

(h) 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.

(i) 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.

Restricted cash is not due for settlement until rights of tenure are forfeited or performance obligations are met.

1. Summary of Significant Accounting Policies (continued)

(j) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – 2 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income in the year the asset is derecognised.

(k) 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.

(l) 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.

1. Summary of Significant Accounting Policies (continued)

(m) 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.

(n) 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.

(o) 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.

1. Summary of Significant Accounting Policies (continued)

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restoration Provisions

The Group recognises any legal or constructive restoration obligation as a liability at its present value at the time a legal liability or constructive obligation exists and when a reliable estimate of the amount of the obligation can be made. The carrying amount of the long-lived assets to which the obligation relates is increased by the asset retirement obligation costs and amortised over the producing life of the asset.

Restoration provisions are based on the estimated cost of restoration work required at the end of the useful life of the producing fields, including removal of facilities and equipment required or intended to be removed, together with abandonment of producing wells. These estimates of the asset retirement obligations are based on current technology, legal requirements and future costs, which have been discounted to their present value. In determining the asset retirement obligations, the Company has assumed no significant changes will occur in the relevant legislation in relation to restoration of sites in the future.

Where a restoration obligation is assumed as part of the acquisition of an asset or obligation, the liability is initially measured at the present value of the future cash flows to settle the present obligation as at the acquisition date. Over time, the liability is accreted to its present value each period based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded within finance costs. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

(q) 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.

(r) Employee benefits

Liabilities for employee benefits expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(s) 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.

1. Summary of Significant Accounting Policies (continued)

(t) 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.

(u) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred except for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case, borrowing costs are capitalised as part of the cost of the qualifying asset.

(v) Share-based payment transactions

Equity-settled transactions:

The Group provides benefits to employees (including Directors) 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 (equity-settled transactions).

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.

1. Summary of Significant Accounting Policies (continued)

(w) 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.

1. Summary of Significant Accounting Policies (continued)

(x) 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.

(y) 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.

(z) Financial instruments issued by the Company

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs arising on the issue of equity instruments, net of associated tax, are recognised directly in equity as a reduction of the proceeds of the equity instrument to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Convertible Note

The Convertible Note was split into two components: a debt component and a component representing the embedded derivatives in the Convertible Note. The debt component represented the Group's liability for future interest coupon payments and the redemption amount. The embedded derivatives represented the value of the option that Convertible Note holders had to convert into ordinary shares in the Company.

The debt component of the Convertible Note was measured at amortised cost and therefore increased as the present value of the redemption amount increased, with a corresponding charge to finance cost as accretion expense. The carrying value of the call option component was based on the residual value of the Convertible Note after subtracting the debt value from the face value of the Convertible Note.

During the year ended 30 June 2012, the terms of the Convertible Note were amended. The amended embedded derivative was valued at fair value, which was determined by calculating the maximum potential value of the call option and discounting that amount to its present value. The maximum value was limited because the conversion price is based upon a 10% discount to the market price. The movement in the fair value was recorded in profit or loss each reporting period.

The notes were converted to ordinary shares during the year ended 30 June 2014.

The transactions costs of the Convertible Note were offset against the debt instruments and were amortised over the life of the debt instruments.

1. Summary of Significant Accounting Policies (continued)

(aa) 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	
	2015	2014
	$	$
2. Revenue and Expenses		
(a) Revenue		
Interest revenue	**1,583**	3,459
	1,583	3,459
(b) Other Income		
Royalty income	**2,448**	-
Foreign exchange gains	**82,975**	275,660
	85,423	275,660
(c) Expenses		
Administrative expenses include:		
Employee benefits expense:		
Salaries, wages and directors' fees	**129,750**	244,952
Defined contribution superannuation expense	**1,457**	7,118
Net benefit from movement in provision for employee entitlements	**-**	(1,452)
Depreciation	**-**	450
Finance costs include:		
Cash interest expense, including withholding tax	**47,012**	16,123
Accretion expense including capitalised interest	**-**	253,194
Borrowing costs expensed	**-**	6,703
	47,012	276,020

	Consolidated	
	2015	2014
	$	$
3. 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 income tax	**(2,205,887)**	(4,467,055)
Income tax benefit at 30% (2014: 30%)	**(661,766)**	(1,340,117)
Non-deductible impairment of deferred exploration and evaluation expenditure	**574,305**	1,152,217
Foreign exchange	**(24,892)**	(82,698)
Non-deductible finance costs	**-**	80,284
Share-based payments	**-**	1,698
Other	**-**	17,182
Unrecognised tax losses	**112,353**	171,434
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 costs	**16,966**	51,609
Financial asset classified as available for sale	**18,378**	18,529
Accruals	**3,600**	1,800
Revenue tax losses	**6,517,035**	6,370,478
Unrecognised deferred tax assets	**(6,555,979)**	(6,442,416)
	-	-

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 have not formed a tax consolidated group.

	Consolidated	
	2015	2014
4. Earnings per Share		
	Cents	Cents
Basic earnings per share	**(0.94)**	(2.81)

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

	$	$
Earnings – net loss after tax for the year	**(2,205,887)**	(4,467,055)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**234,122,480**	159,083,190

The Company currently has no options outstanding.

5. Cash and Cash Equivalents

Cash at bank and on hand	**17,631**	91,575

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

Loss for the year	**(2,205,887)**	(4,467,055)
Adjustments:		
Impairment of deferred exploration and evaluation expenditure	**1,914,350**	3,840,722
Unrealised foreign exchange gains	**(82,975)**	(275,660)
Depreciation	-	450
Impairment of financial assets classified as available for sale	-	31,512
Accretion expense	-	253,194
Amortisation of borrowing costs	-	6,703
Share-based payments	-	5,660
Loss on sale of assets	-	655
Change in operating assets and liabilities:		
(Increase) / decrease in receivables	**(11,618)**	44,774
Increase / (decrease) in payables	**161,997**	(107,423)
Decrease in provisions	-	(1,452)
Net cash flows used in operating activities	**(224,133)**	(667,920)

(ii) Non-Cash Financing and Investing Activities
There were no non-cash financing and investing activities during the year.

	Consolidated 2015 $	2014 $
6. Trade and Other Receivables		
Current		
GST refunds due	**16,174**	4,225
Prepayments	**-**	331
	16,174	4,556

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) Details regarding foreign exchange risk exposure are disclosed in Note 22.
(iv) Other receivables generally have repayments between 30 and 90 days.
(v) Receivables do not contain past due or impaired assets as at 30 June 2015 (2014: none).

7. Financial Assets classified as Available for Sale

	2015 $	2014 $
Listed shares	**1,764**	1,260
Reconciliation of Movement		
Carrying amount at beginning of period	**1,260**	32,772
Reversal of impairment / (impairment)	**504**	(31,512)
Carrying amount at end of period	**1,764**	1,260

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.

8. Deferred Exploration and Evaluation Expenditure

	2015 $	2014 $
Deferred oil and gas expenditure	**784,000**	2,193,000
Reconciliation of Movement		
Carrying amount at beginning of period	**2,193,000**	6,341,570
Sale of joint operation inventory	**-**	(125,241)
Expenditure written off during the year	**(1,914,350)**	(3,840,722)
Foreign currency translation movements	**505,350**	(182,607)
Carrying amount at end of period	**784,000**	2,193,000

Deferred oil and gas expenditure represents expenditures relating to the Yakal discovery and residual areas of the SC 54 Area ‘A’ permit, plus Kairiki’s Philippine SC 54 permit, Area ‘B’. Deferred expenditure was written down in June 2014 and June 2015 following an assessment by the Board.

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

	Consolidated	
	2015	2014
	$	$
9. Trade and Other Payables		
Current	**244,410**	77,454

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 foreign exchange and liquidity risk are disclosed in Note 22.
(iii) Trade and other payables are unsecured and usually paid within 60 days of recognition.

10. Interest-bearing Loans

Current		
Loan from related party – IMC	**488,000**	340,000

The loan is interest-bearing and is secured against the assets of the Company and its subsidiary Yilgarn Petroleum Philippines Pty Ltd. The drawdown facility limit is $488,000. The loan is to be forgiven under the Share Purchase Agreement with IMC approved by shareholders on 19 August 2015. Refer to Note 24 for further details.

11. Issued Capital

(a) Share capital

Ordinary shares fully paid	**85,660,548**	85,660,548
	85,660,548	85,660,548

(b) Movement in ordinary shares on issue	**Number**	**$**
At 30 June 2013	2,983,363,837	74,103,153
Share consolidation	(2,923,695,757)	-
Conversion of convertible note	174,454,400	9,684,969
Transfer of equity component of convertible note to ordinary shares on issue	-	1,889,561
Share issue transaction costs	-	(17,135)
At 30 June 2014	**234,122,480**	**85,660,548**
Movement	**-**	**-**
At 30 June 2015	**234,122,480**	**85,660,548**

	2015	2014
	$	$
(c) Movement in equity component of convertible note		
Carrying value at beginning of period	**-**	1,889,561
Transfer of equity component of convertible note to ordinary shares on issue	**-**	(1,889,561)
Carrying value at end of period	**-**	-

(d) Options at 30 June 2015

No unlisted options are outstanding as at 30 June 2015. 3,000,000 unlisted options expired during the year.

11. Issued Capital (continued)

(e) 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.

Under the Implementation Agreement for the conversion of previously held Convertible Notes, the Company granted IMC the right of first refusal to subscribe for or apply for one third of any offering of any securities for a period of two years from 4 July 2013. The right of first refusal does not include any offerings pursuant to any rights issues or any share purchase plan offered to all Shareholders. Refer to Note 13.

12. Reserves

Nature and purpose of reserves:

Share-based Payments Reserve

This reserve is 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.

	Consolidated	
	2015	2014
	$	$
13. Convertible Notes		
Current		
Financial liability measured at amortised cost	-	-
Derivative financial instrument	-	-
	-	-
Movement in debt component		
Carrying amount at beginning of period	-	8,559,084
Accretion of debt	-	169,085
Capitalised interest	-	84,109
Amortisation of issuance and restructuring costs	-	6,703
Transfer to equity on conversion	-	(8,722,719)
Foreign currency translation movements	-	(96,262)
Carrying amount at end of period	-	-

	Consolidated	
	2015	2014
	$	$
13. Convertible Notes (continued)		
Movement in embedded derivative component		
Opening balance	-	952,150
Fair value movements	-	-
Transfer to equity on conversion	-	(962,250)
Foreign currency translation movements	-	10,100
Closing balance	-	-

On 12 November 2013 shareholders approved the issue of 174,454,400 fully paid ordinary shares (post-consolidation) to IMC Oil & Gas Investments Limited ("IMC"), thereby extinguishing US$8,089,250 in secured convertible note debt via conversion of the 7,458,592 outstanding Convertible Notes. The conversion price was $0.05 per share (post-consolidation), converted from USD to AUD at US$1 = A$1.07831. IMC released the securities it held over the assets of the Company.

In consideration for IMC paying its own legal costs and other expenses with respect to the rights issue undertaken by the Company in 2013 and the convertible note conversion, the Company granted IMC 3,000,000 unlisted options exercisable at $0.10 (post-consolidation) each on or before 30 June 2015. Refer to Note 18.

The Company granted IMC the right of first refusal to subscribe for or apply for one third of any offering of any securities for a period of two years from 4 July 2013. The right of first refusal does not include any offerings pursuant to any rights issues or any share purchase plan offered to all Shareholders.

Prior to conversion, the principal terms and conditions of the Convertible Notes were as follows:

i) Maturity date: 8 September 2013 and 22 October 2013 (5 years from issue);
ii) Interest payable monthly at 4% per annum. Interest at 8% per annum was capitalised monthly and was payable upon maturity. For the period 1 February 2013 to 30 June 2013, IMC agreed that no further interest was payable in cash. 12% interest was capitalised each month. No further interest was payable after 12 September 2013 under the terms of the Implementation Agreement for conversion of the convertible notes;
iii) The conversion price was based on a 10% discount to the 20 day volume weighted average price with a minimum conversion price of 5 cents (post-consolidation);
iv) Security: fixed and floating charge over all the assets of Kairiki Energy Limited and its subsidiary Yilgarn Petroleum Philippines Pty Ltd, but excluding certain property.

Equity Component

The carrying value of the original call option component was based on the residual value of the original Convertible Note after subtracting the debt value from the face value. It was transferred to ordinary share capital upon conversion of the Convertible Note. Refer to Note 11(c).

14. Provisions

No rehabilitation provision is currently required. All abandonment obligations in relation to drilling conducted at Yakal have been met. Future abandonment costs will be required in the event that the well is completed and moves into production.

15. Contingent Assets and Liabilities

Contingent Assets

i) 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.

	Consolidated 2015 $	2014 $

16. Commitments

(a) Exploration Commitments

In order to maintain current rights of tenure to its SC 54 permit, the consolidated entity has certain obligations to perform minimum exploration work and expend minimum amounts of money. These commitments may be varied as a result of renegotiations, relinquishments, farm-outs, sales or carrying out work in excess of the permit obligations. No exploration expenditure requirements are payable but have not been provided for in the financial report.

(b) Joint Operation Capital Commitments

There are no capital expenditures contracted for at the balance date by the joint operation for which no amounts have been provided for in the financial statements.

The joint operation was granted a moratorium on Service Contract 54 from 5 August 2014 to 5 August 2017 to give the joint operation sufficient time to study the development of the discovered marginal resources in the block. The joint operation has no commitments on the block during this period.

17. Related Party Transactions

(a) Parent entity

IMC Oil & Gas Investments Limited ("IMC"), a private company incorporated in the British Virgin Islands, holds 77.0% of 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.

The parent entity within the Group is Kairiki Energy Limited.

(b) Subsidiaries

Name of Controlled Entity	Place of Incorporation	% Held by Parent Entity 2015	2014	Principal Activities
Yilgarn Petroleum Philippines Pty Ltd	Australia	100%	100%	Oil and gas exploration
Great Southern Mines NL	Australia	100%	100%	Dormant
Kairiki Energy Asia Pty Ltd	Australia	100%	100%	Dormant
Kairiki Energy Africa Pty Ltd	Australia	100%	100%	Dormant
Kairiki Energy Italy Pty Ltd	Australia	100%	100%	Dormant

(c) Key management personnel compensation

	Consolidated 2015 $	2014 $
Short-term employment benefits	**169,000**	223,000
Post-employment benefits	**-**	-
Termination benefits	**-**	-
	169,000	223,000

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

17. Related Party Transactions (continued)

(d) Transactions with related parties

(i) IMC

IMC provided the Group with a drawdown facility with a limit of $488,000. At 30 June 2015 it had been fully drawn down (2014: drawn down by $340,000). Interest expenses on the loan during the year were $47,012 (2014: $16,123). Refer to Note 10 for further details.

3,000,000 unlisted options 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. These options expired on 30 June 2015. Refer to Note 18 for further details.

(ii) Director-related entities

During the year ended 30 June 2015, a legal firm of which director Robert Downey is a principal, provided services totalling $22,920 (2014: $55,380). $25,212 including GST was owed at 30 June 2015 ($15,374 as at 30 June 2014).

18. Share-based Payments

(a) Value of share-based payments in the financial statements

	Consolidated	
	2015	2014
	$	$
Share-based payments expensed	-	5,660

(b) Details of 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 on 5 December 2013 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. These options expired on 30 June 2015. The fair value of the options was calculated as 0.19 cents per option or $5,660 in total 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)	2.0

18. Share-based Payments (continued)

(b) Summary of share-based payments (continued)

Set out below are summaries of options granted as share-based payments:

2015

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired or Change due to Resignation Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Related Party – IMC								
5/12/2013	30/6/2015	10 cents	3,000,000	-	-	(3,000,000)	-	-
			3,000,000	-	-	(3,000,000)	-	-
Weighted average exercise price ($)			0.10	-	-	0.10	-	-

2014

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired or Change due to Resignation Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Related Party – IMC								
5/12/2013	30/6/2015	10 cents	-	3,000,000	-	-	3,000,000	3,000,000
Key Management Personnel – unlisted options								
16/5/2011	16/5/2014	$3.25 (i)	150,000 (i)	-	-	(150,000) (i)	-	-
Employees- unlisted options								
16/5/2011	16/5/2014	$3.25 (i)	20,000 (i)	-	-	(20,000) (i)	-	-
			170,000 (i)	3,000,000	-	(170,000) (i)	3,000,000	3,000,000
Weighted average exercise price ($)			0.065 (i)	0.10	-	0.065 (i)	0.10	0.10

(i) Options are stated on a post-consolidation basis. As a result of the 50:1 share consolidation on 28 November 2013, the number of options outstanding at the start of the year changed from 8,500,000 to 170,000 and the exercise price from 6.5 cents to $3.25. The options expired on 16 May 2014.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(c) Weighted average fair value

No share-based payment options were granted during the year ended 30 June 2015. The weighted average fair value of share-based payments granted during the year ended 30 June 2014 was 0.19 cents.

(d) Weighted average remaining contractual life

No share-based payment options were outstanding as at 30 June 2015. The weighted average remaining contractual life of share-based payment options outstanding as at 30 June 2014 was 1.0 year.

	Consolidated	
	2015	2014
	$	$
19. Auditor's Remuneration		
Amount received or due and receivable by the auditor of Kairiki Energy Limited for:		
Auditing and reviewing the financial statements	**27,500**	15,500
	27,500	15,500

No amounts were paid to other audit firms.

20. Joint Arrangements

The Group has the following interests in joint operations:

Permit	Principal Activities	Percentage Interest	
		2015	2014
SC 54 – Area 'A'	Oil and gas exploration	**30.1%**	30.1%
SC 54 – Area 'B'	Oil and gas exploration	**40%**	40%

The Group has classified these joint arrangements as joint operations under the terms of the agreements. The Group has joint control, by virtue of the Joint Operating Agreement specific to the Service Contract. Joint control is achieved by the affirmative vote of two or more parties owning an aggregate of at least 70% for SC 54A and SC 54B.

The joint arrangements are not conducted via separate legal entities. They are contractual arrangements between the participants for the sharing of costs and outputs. The participants share exploration, evaluation and development costs and output in proportion to their ownership of the joint operation assets. The Group's share of exploration, evaluation and development expenditure is accounted for in accordance with the policy set out in Note 1.

Commitments Relating to Joint Operations
Capital expenditure commitments in respect of the joint operations are disclosed in Note 16.

21. Segment reporting

The Group has 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.

The operating segments are identified by management based on the phase of operation within the oil and gas industry. At present, the Group's only operating segment is exploration and evaluation assets, 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 $**	**Total $**
30 June 2015		
Segment revenue	**-**	-
Unallocated items:		
Interest revenue		**1,583**
Royalty income		**2,448**
Foreign exchange gains		**82,975**
Total revenue and other income		**87,006**
Segment result	**(1,944,853)**	**(1,944,853)**
Unallocated items:		
Unallocated revenue and other income		**87,006**
Administrative and other costs		**(301,028)**
Finance costs		**(47,012)**
Loss after tax		**(2,205,887)**
Segment assets	**784,000**	**784,000**
Unallocated items:		
Cash		**17,631**
Other corporate assets		**17,938**
Total assets		**819,569**
Segment capital expenditure	**-**	**-**
Unallocated corporate capital expenditure		**-**
Total capital expenditure		**-**

21. Segment reporting (continued)

Consolidated	Oil & Gas Exploration $	Total $
30 June 2014		
Segment revenue	**-**	-
Unallocated items:		
Interest revenue		3,459
Foreign exchange gains		275,660
Total revenue and other income		**279,119**
Segment result	(3,866,869)	(3,866,869)
Unallocated items:		
Unallocated revenue and other income		279,119
Administrative and other costs		(603,285)
Finance costs		(276,020)
Loss after tax		**(4,467,055)**
Segment assets	2,193,000	2,193,000
Unallocated items:		
Cash		91,575
Other corporate assets		5,816
Total assets		**2,290,391**
Segment capital expenditure	**-**	**-**
Unallocated corporate capital expenditure		**-**
Total capital expenditure		**-**

22. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash, short-term deposits and convertible notes. 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 debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, 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, foreign currency risk and commodity 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	
	2015	2014
	$	$
Financial Assets:		
Cash and cash equivalents held in interest-bearing accounts	**17,631**	91,575
Net exposure	**17,631**	91,575

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 2015, 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	
	2015	2014
	$	$
Judgements of reasonably possible movements:		
Post tax profit - higher / (lower)		
+ 0.5%	**88**	458
- 0.5%	**(88)**	(458)
Equity - higher / (lower)		
+ 0.5%	**88**	458
- 0.5%	**(88)**	(458)

22. Financial Risk Management Objectives and Policies (continued)

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 2015. These amounts represent contractual undiscounted cash flows.

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

	Consolidated	
	2015	2014
	$	$
6 months or less	**742,252**	425,130
7-12 months	-	**-**
1-5 years	-	**-**
	742,252	425,130

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

As the functional currency of the parent entity Kairiki Energy Limited and the subsidiary Yilgarn Petroleum Philippines Pty Ltd is USD and the presentation currency of the Group is AUD, and transactions occur in both currencies, the Group's statement of financial position and result can be affected by movements in the AUD/USD exchange rates. Foreign currency gains or losses in the statement of profit or loss and other comprehensive income result from the settlement of transactions in currencies other than the functional currency and the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than the functional currency (primarily AUD).

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.

At 30 June 2015, the Group had the following exposures to USD and AUD currencies that are not designated in cash flow hedges:

	2015		2014	
	USD	**AUD**	USD	AUD
	AUD $	**AUD $**	AUD $	AUD $
Financial Assets:				
Cash and cash equivalents	**6,479**	**11,152**	21,504	70,071
Trade and other receivables	**-**	**16,174**	**-**	4,556
Listed shares	**-**	**1,764**	**-**	1,260
Financial Liabilities:				
Trade and other payables	**(20,284)**	**(224,126)**	(21,234)	(56,220)
Borrowings	**-**	**(488,000)**	**-**	(340,000)
Net exposure	**(13,805)**	**(683,036)**	270	(320,333)

22. Financial Risk Management Objectives and Policies (continued)

Because the functional currency of the parent entity and major subsidiary is USD, foreign currency risk arises on AUD balances.

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date. The 5% sensitivity is based on reasonably possible changes, over a financial year, using an observed range of actual historical rates, for the AUD/USD exchange rate, for the preceding five years.

At 30 June, if the AUD/USD exchange rate had moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Consolidated	
	2015	2014
	$	$
Judgments of reasonably possible movements:		
Post tax profit - higher / (lower)		
AUD/USD + 5 %	**(32,526)**	(15,254)
AUD/USD - 5 %	**35,949**	16,860
Equity - higher / (lower)		
AUD/USD + 5 %	**(32,526)**	(15,254)
AUD/USD - 5 %	**35,949**	16,860

Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

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

23. Parent Entity Information

	Parent	
	2015	2014
	$	$
Current assets	**27,806**	90,824
Total assets	**799,285**	2,268,726
Current liabilities	**(712,127)**	(396,221)
Total liabilities	**(712,127)**	(396,221)
Net assets	**87,158**	1,872,505
Issued capital	**85,660,548**	85,660,548
Share-based payments reserve	**3,594,180**	3,594,180
Available for sale reserve	**504**	-
Foreign currency translation reserve	**(6,914,182)**	(7,336,578)
Accumulated losses	**(82,253,892)**	(80,045,645)
Total equity	**87,158**	1,872,505
Loss of the parent entity after tax	**(2,208,247)**	(4,466,966)
Other comprehensive income / (loss), net of tax	**422,900**	(367,626)
Total comprehensive loss of the parent entity	**(1,785,347)**	(4,834,592)

24. Events Subsequent to the Reporting Period

On 19 August 2015, shareholders approved the disposal of the Company's entire interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd as outlined under 'Disposal of Philippines Assets' in the Operations Review. Yilgarn is the holder of the Company's interest in Service Contract 54A and 54B in the Philippines, being the main undertaking of the Company.

The key terms of the Disposal are as follows:

(i) Completion of the Disposal is subject to and conditional on a number of matters, including:

   (a) The Company obtaining shareholder approval for the Disposal pursuant to ASX Listing Rule 10.1 and 11.2; and

   (b) Kairiki having notified the other joint venture partners of the change of control of Yilgarn pursuant to the joint operating agreement relevant to each joint venture interest; and

   (c) Kairiki providing IMC with the proposed work program and budget from the operator for the current year.

(ii) The consideration to be paid by IMC for the Disposal comprises:

   (a) forgiveness of debt due to IMC of an amount of $488,000 under a Finance Facility Agreement;

   (b) the payment of an amount of $221,000 to cover the Company's existing indebtedness; and

   (c) an amount of $75,000 to cover the costs of implementing the proposed Disposal.

As noted, the Disposal was approved by shareholders on 19 August 2015 and the company and IMC are now working towards completion.

Other than as noted above, 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.

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 2015 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 1(c); 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 2015.

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

Robert Downey
Director
30 September 2015

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF KAIRIKI ENERGY LIMITED

Report on the financial report

We have audited the accompanying financial report of Kairiki Energy Limited (the Company") which comprises the balance sheet as at 30 June 2015 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) 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. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.

Audit opinion

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

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 paragraph (b) in the financial report which indicates the ability of the consolidated entity to continue as a going concern is dependent on a number of factors. We note the consolidated entity had net cash outflows from operating activities for the year ending 30 June 2015 of $667,920 and a net operating loss of $4,467,055. In the event the consolidated entity is unable to achieve the points in Note 1 paragraph (b), 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.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the Company 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.

Audit opinion

In our opinion the remuneration report of Kairiki Energy Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rolf Garda
Partner

Dated 30 September 2015

Chartered Accountants

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Phone (08) 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 of the 30 June 2015 financial statements; and

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

Rolf Garda (Lead auditor)

Rothsay Chartered Accountants

Dated 30 September 2015

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 17 September 2015.

1. Distribution of Holders

	Fully Paid Ordinary Shares
Number of holders in the following distribution categories:	
0 - 1,000	2,078
1,001 - 5,000	759
5,001 - 10,000	267
10,001-100,000	438
100,001 and over	88
Number of holders	3,630
Holders of less than a marketable parcel	3,549

2. Twenty Largest Shareholders
The names of the twenty largest shareholders are as follows:

		Number of Shares	Percentage of Issued Capital
1	IMC Oil & Gas Investments Limited	180,354,400	77.03
2	Mr Shane Victor Hardy	5,272,294	2.25
3	Yandal Investments Pty Ltd	3,768,200	1.61
4	Bonos Pty Ltd	2,700,000	1.61
5	Mr Glenn William Twomey & Mrs Karen Lynne Twomey	1,185,000	0.51
6	Abdul Fida Pty Ltd <AR&F Dannaoiu Family A/C>	1,100,000	0.47
7	HSBC Custody Nominees (Australia) Limited – A/C 2	1,021,542	0.44
8	Ironbray Pty Ltd <Sofia Family Super A/C>	1,014,035	0.43
9	Junior Jay Pty Ltd <JJC Consulting Services A/C>	1,000,000	0.43
10	Zoric & Co Pty Ltd	700,000	0.30
11	Mr Lap Fung Albert Chan & Ms Man Yi Mely Chang	600,000	0.26
12	Mr Cameron John Levett & Mrs Susanne Levett	548,712	0.23
13	Mr George Manios	520,000	0.22
14	Mr Gregory James Donnellan	500,000	0.21
15	Mr Stephen Kotevski	500,000	0.21
16	Mrs Melanie Therese Verheggan	500,000	0.21
17	JP Morgan Nominees Australia Limited	433,767	0.19
18	Mr Thomas Joseph Perkins	430,931	0.18
19	Mrs Theone Elinor Star	389,000	0.17
20	Mr Harry White	373,060	0.16
		202,910,941	86.67
	Shares on Issue	234,122,480	

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

3. Unlisted Options
There are no unlisted 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
IMC Oil & Gas Investments Limited	180,354,400	77.03

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
Currently there is no on-market buy-back of the Company's securities.

PHILIPPINES INTERESTS

Philippines Offshore Oil and Gas Permit (SC 54 Area 'A') – 30.1% Participating Interest

Philippines Offshore Oil and Gas Permit (SC 54 Area 'B') – 40.0% Participating Interest