

KAIRIKI ENERGY LIMITED

ABN 34 002 527 906

Half Year Report

31 December 2007

Kairiki Energy Limited

ABN 34 002 527 906

Corporate Directory

Directors

Paul Damien John Fry
Craig Moore Gumley
Lawrence James Brown
Christopher Francis John Swarbrick
Rae Jefferies

Company Secretary

Neville John Bassett

Registered Office

Suite 3, Churchill Court
331-335 Hay Street
Subiaco WA 6005

Tel: (08) 9388 6711
Fax: (08) 9388 6744
Website: www.kairikienergy.com

Share Registry

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

Investor enquiries:

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

Auditor

Rothsay
Chartered Accountants
6 O'Connell Street
Sydney NSW 2000

Stock Exchange Listing

Australian Stock Exchange Limited
ASX Code: KIK
KIKO

Kairiki Energy Limited

Directors' Report

The Directors of Kairiki Energy Limited submit herewith the financial report of the consolidated entity for the half-year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

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

Paul Damien John Fry	Chairman	
Craig Moore Gumley	Managing Director	Appointed 15 January 2008
Lawrence James Brown	Exploration Director	
Rae Jefferies	Non-Executive Director	
Christopher Francis John Swarbrick	Non-Executive Director	

Review and Results of Operations

The principal activities of the company and its subsidiaries during the period were exploration and evaluation of oil and gas properties and mineral assets. The net loss for the half-year ended 31 December 2007 was \$2,959,245 (31 December 2006 \$875,548). The net loss included the following items:

- Share based compensation expense of \$961,900 (non cash expense) (note 4);
- Impairment of the company mineral exploration permits of \$902,848 (non cash expense) (note 2); and
- Exploration costs expensed of \$552,865.

Oil and Gas Interests

Philippines Offshore Oil and Gas Farm-In (SC 54) – 40% Interest

During the half-year, the following progress occurred in respect of the company's Philippine oil and gas operations:

- Kairiki was assigned a 40% interest in Service Contract 54 (SC 54) by virtue of it completing its seismic commitment funding for the period ending 4 August 2007 and committing to enter the next phase of the work program. The next phase covers a period of 18 months from 5 August 2007 to 4 February 2009 and obligates the joint venture to drill an exploration well at a minimum cost of US\$6 million and to undertake geological and geophysical studies to the amount of US\$100,000.
- The SC 54 Joint Venture has received all the final processed products from the initial 640 km² Abukay 3D survey that was acquired in late 2006. These products are the key to advancing the current lead inventory, particularly in assessing the reservoir architecture of Coron North (now renamed to Gindara) and the range of deepwater fan and channel targets in the inventory.
- In November 2007 the Joint Venture completed the acquisition of a further 165 km² of 3D seismic to provide greater coverage of the Late Miocene 'Pagasa' Turbidite play along the western flank of SC 54. This data joins and is to the west of the Abukay 3D seismic survey acquired by the SC 54 Joint Venture in late 2006.
- In November 2007 the Joint Venture commenced acquiring a further 454 km² of 2D data over the southern half of the permit, capitalising on the use of a vessel acquiring seismic in adjacent contiguous acreage. This will enable an initial analysis of the large under-explored southern portion of the permit. Whilst evaluation to date on SC 54 has largely been focussed over the deep and shallow water portions of the northern half of the permit, SC54 is a large permit covering some 5,376 km² and has remained only lightly explored.

Kairiki Energy Limited

Directors' Report

- In January 2008 we announced a 12,000 hectare extension to the north-east of SC 54 through the relinquishment of an equivalent area from the less prospective south-eastern boundary. The new acreage includes the Signal Head structure and additional exploration potential. The joint venture completed the acquisition of 2D seismic data over the Signal Head prospect in January 2008.

Romania

South Craiova - 20% interest (on completion of acquisition)

In November 2007 Kairiki announced that it had signed a conditional purchase agreement to acquire a 20% interest in the South Craiova permit for a consideration of US\$500,000. The Permit is onshore and is in the south-west corner of the country and covers some 6,000 km².

While previous exploration in the permit concentrated on deeper Mesozoic structural targets a number of shallow (sub-1000m), seismic amplitude-supported, potential gas charged sand-rich channel targets have been identified as drill-ready.

The acquisition is expected to be completed in the first quarter of 2008.

Area of Mutual Interest ("AMI") - 33.33% interest

In August 2007 Kairiki signed an AMI agreement with Alp Energy gmbh, an Austrian based private company, to acquire oil and gas properties in Romania. Alp Energy gmbh was subsequently acquired by Audax Resources limited (ASX Code ADX) in November 2007. In September 2007 the AMI was expanded to include Nexus Energy Limited (ASX Code NXS).

Tunisia

Chorbane - 50% interest (on completion of acquisition)

In November 2007 Kairiki announced that it had signed a conditional purchase agreement to acquire a 50% interest in the Chorbane permit, located onshore southeast Tunisia for a consideration of US\$500,000.

The permit has three main prospects, each sufficiently well defined by comprehensive seismic coverage to be mature for drilling. The vendor acquired 219 km of prospect-specific 2D seismic in 2007 to better define the 3 main prospects on the Permit and the Joint Venture will complete evaluation of this new data set, to be integrated with the widespread existing legacy seismic coverage and well database, ahead of electing which of the prospects to drill. The license requires 1 well to be drilled in the next 2 & ½ years.

The acquisition is expected to be completed in the first quarter of 2008.

Area of Mutual Interest ("AMI") - 75% interest

In August 2007 Kairiki signed an AMI agreement with Alp Energy gmbh, an Austrian based private company, to acquire oil and gas properties in Tunisia. Alp Energy gmbh was subsequently acquired by Audax Resources limited (ASX Code ADX) in November 2007.

Mineral Interests - Australia

During the half-year, the company reviewed and evaluated all of its mineral interests with a view to determining the best course of action to crystallise the value of its permits. Alternatives currently being considered include the joint venture or farm-in overall or selected projects.

Kairiki Energy Limited

Directors' Report

Corporate

- On 7 September 2007 the company changed its name from Yilgarn Gold Limited to Kairiki Energy Limited to better reflect the main focus of the company being its oil and gas operations.
- The following options were issued during the half year:

On 24 September 2007 Kairiki issued the following incentive options to new directors appointed in January 2007, as follows:

- 2,500,000 options expiring 24 September 2009, exercisable at 10.5 cents each
- 2,750,000 options expiring 24 September 2010, exercisable at 13.5 cents each

These options were approved by shareholders at a meeting held 4 September 2007.

On 28 December 2007, Kairiki issued the following incentive options to directors and consultants, as follows:

- 3,300,000 options expiring 30 November 2009, exercisable at 30 cents each
- 2,200,000 options expiring 30 November 2009, exercisable at 35 cents each

These options were approved by shareholders at a meeting held 29 November 2007.

These options were granted during the half-year. The fair value of the options is estimated at the date of grant using a binomial model and taking into account the terms and conditions upon which the options were granted.

- In December 2007 the company announced the appointment of a new Managing Director, Craig Gumley. His appointment marks the company's growth over the past 18 months to pursue oil and gas initiatives. Paul Fry, the previous Managing Director, was appointed Chairman and Mr Chris Swarbrick reverted to a non-executive Director. Mr Laurie Brown continues as Kairiki's Exploration Director.

Changes In State Of Affairs

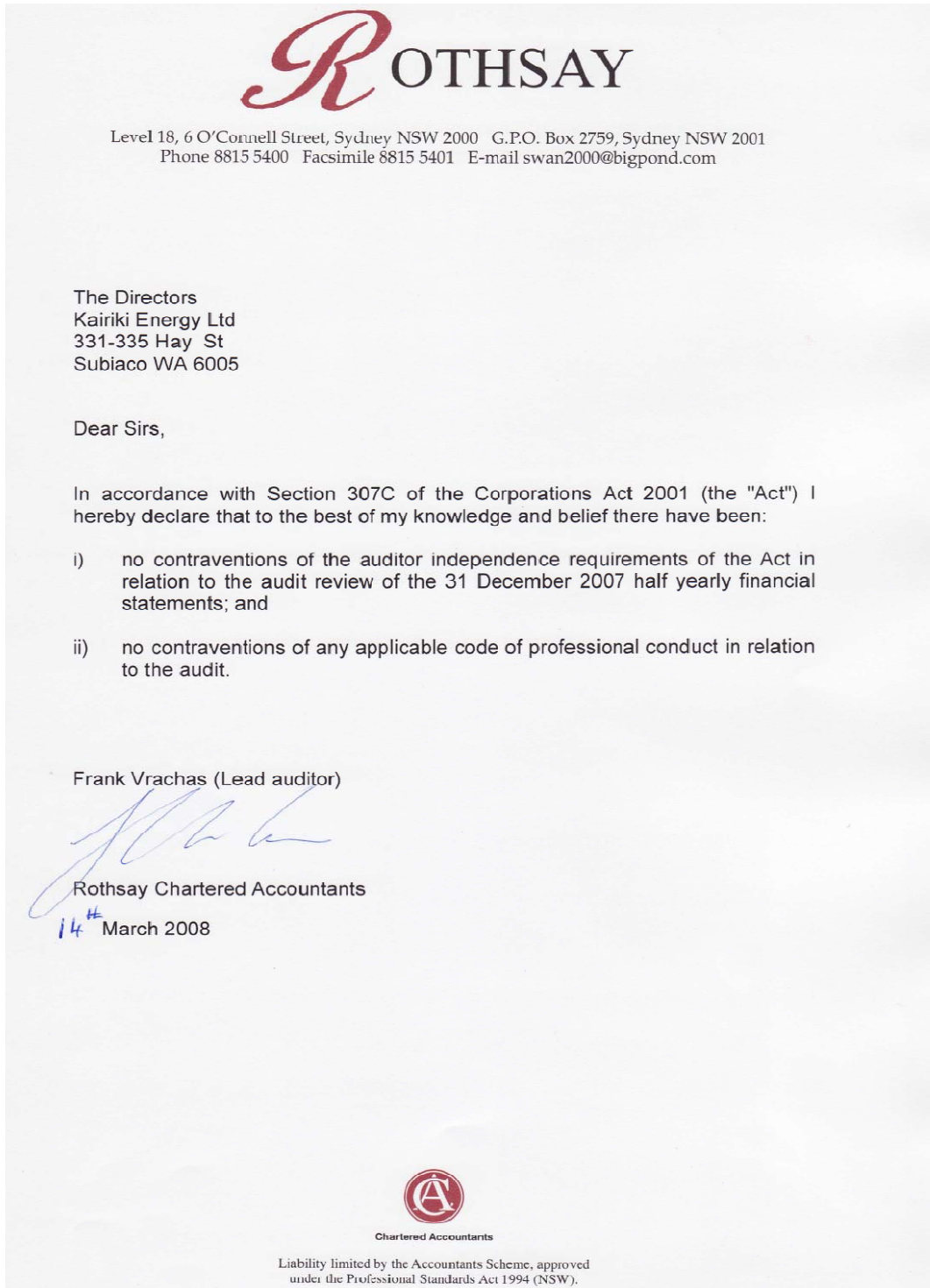
During the half year ended 31 December 2007 there was no significant change in the entity's state of affairs other than that referred to in this Directors' report, the half-year financial statements or notes thereto.

Kairiki Energy Limited

Directors' Report

Auditor's Independence Declaration

The following is a copy of a letter received from the company's auditors:



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

[Signature]
Paul D Fry
Chairman
PERTH, this 14th day of March 2008

Kairiki Energy Limited

Independent Review Report



Level 18, 6 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

Independent Review Report to the Members of Kairiki Energy Limited

The financial report and directors' responsibility

The interim financial report comprises the balance sheet, income statement, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for the consolidated entity Kairiki Energy Limited for the half-year ended 31 December 2007.

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

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the consolidated half yearly financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Kairiki Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

Frank Vrachas
Partner

Dated this 14th day of March 2008



Chartered Accountants

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

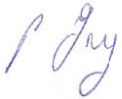
Kairiki Energy Limited

Directors' Declaration

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

- 1) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (a) complying with the Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001;
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year then ended; and
- 2) there are reasonable grounds to believe that the company will be able to pay its debts when they become due and payable.

On behalf of the Board,



Paul D Fry
Chairman

PERTH, 14th day of March 2008

Kairiki Energy Limited

Income Statement

For The Half-Year Ended 31 December 2007

	Consolidated	
	Half-year ended 31 Dec 2007 \$	Half-year ended 31 Dec 2006 \$
Revenue – interest revenue	166,241	123,811
Depreciation expense	(7,330)	(2,100)
Salaries and employee benefits expense	(254,523)	(124,993)
Share based payments	(961,900)	(416,074)
Consultants and directors fees	(258,063)	(141,750)
Other exploration costs expensed	(552,865)	(52,847)
Impairment of mineral exploration costs	(902,848)	(8,394)
Net foreign currency gains/(losses)	14,174	(70,368)
Other costs	(202,131)	(182,833)
Loss before income tax expense	(2,959,245)	(875,548)
Income tax expense	-	-
Loss after tax	(2,959,245)	(875,548)
Loss for the half-year attributable to members of Kairiki Energy Limited	(2,959,245)	(875,548)
Basic loss per share	\$0.01	\$0.00

Kairiki Energy Limited

Balance Sheet

As at 31 December 2007

	Note	Consolidated	
		As at 31 Dec 2007 \$	As at 30 June 2007 \$
ASSETS			
Current Assets			
Cash and cash equivalents		6,216,723	8,700,030
Trade and other receivables		531,763	178,874
Total Current Assets		6,748,486	8,878,904
Non-Current Assets			
Plant and equipment		34,576	34,773
Deferred exploration expenditure	2	6,168,828	6,039,103
Total Non-Current Assets		6,203,404	6,073,876
Total Assets		12,951,890	14,952,780
LIABILITIES			
Current Liabilities			
Trade and other payables		197,771	664,329
Total Current Liabilities		197,771	664,329
Total Liabilities		197,771	664,329
Net Assets		12,754,119	14,288,451
Equity			
Issued capital	3	18,787,649	18,277,886
Reserves		2,959,088	2,043,938
Accumulated losses		(8,992,618)	(6,033,373)
Total Equity		12,754,119	14,288,451

Kairiki Energy Limited
Statement of Changes in Equity
For The Half-Year Ended 31 December 2007

Consolidated	Issued Capital \$	Accumulated Losses \$	Share- based Payments Reserve \$	Translation Reserve \$	Total \$
Balance at 1 July 2006	6,042,136	(4,490,281)	379,968	-	1,931,823
Shares issued	5,615,000	-	-	-	5,615,000
Transaction costs on share issues	(280,000)	-	-	-	(280,000)
Share based payments	-	-	1,759,351	-	1,759,351
Loss for the six months	-	(875,548)	-	-	(875,548)
Balance at 31 December 2006	11,377,136	(5,365,829)	2,139,319	-	8,150,626
Balance at 1 January 2007	11,377,136	(5,365,829)	2,139,319	-	8,150,626
Shares issued	7,270,000	-	-	-	7,270,000
Transaction costs on share issues	(369,250)	-	-	-	(369,250)
Share based payments	-	-	-	-	-
Currency translation differences	-	-	-	(95,381)	(95,381)
Loss for the six months	-	(667,544)	-	-	(667,544)
Balance at 30 June 2007	18,277,886	(6,033,373)	2,139,319	(95,381)	14,288,451
Balance at 1 July 2007	18,277,886	(6,033,373)	2,139,319	(95,381)	14,288,451
Shares issued	509,763	-	-	-	509,763
Transaction costs on share issues	-	-	-	-	-
Share based payments	-	-	961,900	-	961,900
Currency translation differences	-	-	-	(46,750)	(46,750)
Loss for the six months	-	(2,959,245)	-	-	(2,959,245)
Balance at 31 December 2007	18,787,649	(8,992,618)	3,101,219	(142,131)	12,754,119

Kairiki Energy Limited

Cash Flow Statement

For The Half-Year Ended 31 December 2007

	Consolidated	
	Half-year ended 31 Dec 2007 \$	Half-year ended 31 Dec 2006 \$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(1,015,621)	(413,805)
Interest received	166,241	90,127
Net cash flows used in operating activities	(849,380)	(323,678)
Cash Flows from Investing Activities		
Proceeds from sale of non-current assets	-	4,000
Purchase of non-current assets	(7,133)	(3,907)
Payments for mineral exploration expenditure	(58,038)	(42,061)
Payments for oil and gas exploration expenditure	(1,695,730)	(427,457)
Payment for rental bond	-	(4,000)
Net cash flows used in investing activities	(1,760,901)	(473,425)
Cash Flows from Financing Activities		
Proceeds from issue of shares and options	534,763	5,615,000
Payment of share issue costs	(394,250)	(280,000)
Net cash flows from financing activities	140,513	5,335,000
Net increase in cash and cash equivalents	(2,469,768)	4,537,897
Cash and cash equivalents at beginning of half year	8,700,030	1,005,730
Effect of exchange rate changes	(13,539)	(70,368)
Cash and cash equivalents at end of half year	6,216,723	5,473,259

Kairiki Energy Limited

Notes to the Financial Statements

For The Half-Year Ended 31 December 2007

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

The half-year financial report should be read in conjunction with the Annual Financial Report of Kairiki Energy Limited as at 30 June 2007. It is also recommended that the half-year financial report be considered together with any public announcements made by Kairiki Energy Limited during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

The half year consolidated financial statements comprise the financial statements of Kairiki Energy Limited and its subsidiaries ("Group") as at 31 December 2007.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2007.

In the half-year ended 31 December 2007, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2007. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

2. DEFERRED EXPLORATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

	Consolidated	
	31 Dec 2007	30 June 2007
	\$	\$
Exploration and evaluation phase – at cost		
Balance at beginning of period	6,039,103	1,052,297
Expenditure incurred, net of costs recoveries	1,032,573	4,026,339
Recognition of share based payment - Exploration	-	1,343,277
Impairment of deferred exploration	(902,848)	(382,810)
Total deferred exploration expenditure	6,168,828	6,039,103
Represented by:		
Mining expenditures	246,935	1,119,938
Oil and gas expenditures	5,921,893	4,919,165
Total deferred exploration expenditure	6,168,828	6,039,103

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent upon the continuance of Kairiki's right to tenure of the areas of interest, successful development and commercial exploitation or, alternatively, sale of the respective areas of interest at an amount at least equal to book value.

Impairment losses are provided when the carrying amount exceeds the recoverable amount.

Kairiki Energy Limited

Notes to the Financial Statements

For The Half-Year Ended 31 December 2007

3. ISSUED CAPITAL

(a) Issued and paid up capital

Number of Shares	Summary of Movements:	Issue Price	\$
197,470,368	Opening balance 1 July 2006		6,042,136
70,000,000	Placement on 11 July 2006 for cash	8c	5,600,000
300,000	Issued on exercise of options	5c	15,000
-	Costs associated with share issues		(280,000)
<u>267,770,368</u>	Closing Balance at 31 December 2006		<u>11,377,136</u>
4,700,000	Issued on exercise of options	5c	235,000
1,000,000	Issued on exercise of options	15c	150,000
40,500,000	Placement on 29 June 2007 for cash	17c	6,885,000
-	Costs associated with share issues		(369,250)
<u>313,970,368</u>	Closing Balance at 30 June 2007		<u>18,277,886</u>
9,445,276	Issued on exercise of options	5c	472,263
2,500,000	Issued on exercise of options	15c	37,500
<u>325,915,644</u>	Closing Balance at 31 December 2007		<u>18,787,649</u>

(b) Options

	Number	Exercise Price	Expiry Date
Unlisted Options	10,000,000	7 cents	On or before 30/06/2008
Unlisted Options	5,000,000	10 cents	On or before 30/06/2009
Unlisted Options	5,000,000	12 cents	On or before 30/06/2009
Unlisted Options (iii)	2,500,000	10.5 cents	On or before 3/10/2009
Unlisted Options (iii)	2,750,000	13.5 cents	On or before 3/10/2010
Unlisted Options (iii)	3,030,000	30 cents	On or before 30/11/2009
Unlisted Options (iii)	2,200,000	35 cents	On or before 30/11/2009
Listed Options (ii)	<u>167,904,724</u>	5 cents	On or before 31/12/2008

Closing Balance at 31 December 2007 198,384,724

During the half-year:

- (i) 2,500,000 unlisted options were exercised at an exercise price of 1.5 cents.
- (ii) 9,445,276 listed options were exercised at an exercise price of 5 cents.
- (iii) 10,750,000 unlisted options were granted as share-based payments. Refer to note 4 for details.

4. SHARE BASED PAYMENTS

The following share options were granted to key management personnel:

Approved by shareholders on 4 September 2007:

- 2,500,000 options expiring 3 October 2009, exercisable at 10.5 cents each; and
- 2,750,000 options expiring 3 October 2010, exercisable at 13.5 cents each.

Approved by shareholders on 29 November 2007:

- 3,300,000 options expiring 30 November 2009, exercisable at 30 cents each; and
- 2,200,000 options expiring 30 November 2009, exercisable at 35 cents each.

Kairiki Energy Limited

Notes to the Financial Statements

For The Half-Year Ended 31 December 2007

4. SHARE BASED PAYMENTS - continued

The assessed fair values of the options were determined using a binomial option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

6 Months to 31 December 2007

Grant date	3/10/2007	3/10/2007	30/11/2007	30/11/2007
Dividend yield (%)	-	-	-	-
Expected volatility (%)	76.16	73.46	76.54	76.54
Risk-free interest rate (%)	6.34	6.34	6.49	6.49
Expected life of options (years)	1.751	2.751	1.751	1.751
Option exercise price (\$)	0.105	0.135	0.30	0.35
Value of Option (\$)	0.132	0.130	0.054	0.046

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.

Included in share based payments expense of \$961,900 is an amount of \$687,500 relating to options granted on 3 October, 2007 to two new directors. The directors were appointed on 12 January 2007 when the share price was 10.5 cents and the share price was 21 cents when the options were granted on 3 October 2007.

If the value of the options received by the two directors had been calculated based on when the appointments were made rather than when the options were actually issued to the directors, the amount expensed as share based payments would have reduced by \$453,500, from \$961,900 to \$508,400.

5. SEGMENT REPORTING

The company operates predominantly in two business segments, being petroleum exploration (Philippines and Romania), and mineral exploration (Australia). Geographically, the consolidated entity operates in Philippines, Romania and Tunisia. In 2006 the company operated predominantly in two business segments, being mineral exploration (Australia) and petroleum exploration (Philippines).

The following table presents the revenue and earnings information regarding geographical segments for the half-year periods ended 31 December 2007 and 31 December 2006.

Consolidated	Corporate	Oil and Gas		Minerals	Total
	Australia \$	Philippines \$	Romania \$	Australia \$	\$
31 December 2007					
Segment revenue	146,867	19,374	-	-	166,241
Segment results	(1,705,718)	21,202	(371,881)	(902,848)	(2,959,245)
Assets and liabilities					
Segment assets	5,655,825	7,049,130	-	246,935	12,951,890
Segment liabilities	197,771	-	-	-	197,771
31 December 2006					
Segment revenue	123,811	-	-	-	123,811
Segment results	(796,786)	(70,368)	-	(8,394)	(875,548)
Assets and liabilities					
Segment assets	5,313,034	4,458,565	-	1,089,964	10,861,563
Segment liabilities	180,664	2,530,273	-	-	2,710,937

Kairiki Energy Limited

Notes to the Financial Statements

For The Half-Year Ended 31 December 2007

6. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

7. COMMITMENTS

	Consolidated	
	31 Dec 2007	30 June 2007
	\$	\$
Operating leases (non-cancellable)		
Within one year	107,286	107,286
More than one year but not later than five years	106,047	102,690
	<u>213,333</u>	<u>209,976</u>

Exploration commitments

In order to maintain current rights of tenure to exploration permits, 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. The following exploration expenditure requirements have not been provided for in the financial report and are payable:

Within one year	5,470,560	278,683
More than one year but not later than five years	-	5,647,059
	<u>5,470,560</u>	<u>5,925,742</u>

Farm-in commitment

On 29 May 2006 the company's wholly owned subsidiary, Yilgarn Petroleum Philippines Pty Ltd, entered into a farm-in agreement with Nido Petroleum Limited to earn a 40% participating interest in Service Contract 54 in the Northwest Palawan Basin, offshore Philippines. Under the farm-in the company will earn its 40% interest upon completion of two stages. The first stage, which has been met, required the Company to fund a seismic programme to a cap of US\$3.2 million (the company's net share) on a 4:3 basis. The company has elected to continue into the drilling phase (the second stage) and it will earn its interest by paying 80% of the costs of drilling a well. The service contract requires a minimum well cost commitment of US\$6 million gross which must be incurred by February 2009. The company has the right to assign all or part of its interest in the farm-in at any time.

Joint venture capital commitments

The consolidated entity's share of capital expenditures contracted for at the balance date for which no amounts have been provided for in the financial statements are payable:

Within one year	<u>1,113,313</u>	<u>583,412</u>
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8. EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances which have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.