

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

Kairiki Energy Limited

ABN

34 002 527 906

Quarter ended ("current quarter")

30 June 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(82)	(783)
(b) development	(3,784)	(9,409)
(c) production	-	-
(d) administration	(589)	(1,615)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11	88
1.5 Interest and other costs of finance paid	(363)	(1,475)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(4,807)	(13,194)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	(5)
1.9 Net proceeds from sale of:		
(a) prospects	272	6,281
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	272	6,276
1.13 Total operating and investing cash flows (carried forward)	(4,535)	(6,918)

1.13	Total operating and investing cash flows (brought forward)	(4,535)	(6,918)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc (net of costs)	6,149	5,803
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings – convertible notes (net of costs)	-	-
1.17	Repayment of borrowings	-	(1,023)
1.18	Dividends paid	-	-
1.19	Other (provide details if material) - Secured cash released	-	1,022
	Net financing cash flows	6,149	5,802
	Net increase (decrease) in cash held	1,614	(1,116)
1.20	Cash at beginning of quarter/year to date	7,196	10,087
1.21	Exchange rate adjustments to item 1.20	218	57
1.22	Cash at end of quarter	9,028	9,028

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	222
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

- | |
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| <ul style="list-style-type: none"> • payment of executive director salaries; • payment of directors' fees; • payment of consulting fees to directors. |
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Non-cash financing and investing activities

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

Nil

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

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities – convertible note	11,124 (US\$9,530)	11,124 (US\$9,530)
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	6,869 *
4.3 Production	2,633*
4.4 Administration	400
Total	10,002

* Expected outflows for the next quarter do not include the recognition of any cash inflows which are expected from the following:

- revenue expected to be received from the Tindalo project. As of 30 June 2010, Kairiki's share of oil inventory was approximately 29,500 barrels, which is expected to be sold during the September 2010 quarter.
- cash consideration of A\$722,000 (US\$650,000) relating to the farm-down of 4.9% to TG World. In addition, the Company anticipates receiving further consideration of approximately A\$600,000 (US\$545,000) relating to TG's share of oil revenue from the first cargo expected to be sold during the September 2010 quarter.
- revenue of A\$310,000 (US\$280,000) is anticipated to be received in the September 2010 quarter for deferred consideration from the sale of Sicily Channel prospects sold to ADX Energy Ltd in 2009.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	9,028	7,196
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other	-	-
Total: cash at end of quarter (item 1.22)	9,028	7,196

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	P25/1935	Holder – Surrendered	100%	-
	P25/1939	Holder – Surrendered	100%	-
	P25/1941	Holder – Surrendered	100%	-
	P25/1943	Holder – Surrendered	100%	-
	P25/1982	Holder – Surrendered	100%	-
	P24/4239-4242	Holder – Surrendered	100%	-
	E26/123	Holder – Surrendered	100%	-
	P25/1983	Holder – Surrendered	35%	-
	P27/1851-1853	Holder – Surrendered	35%	-
6.2 Interests in mining tenements acquired or increased	Nil			

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter				
7.3 +Ordinary securities	560,909,998	560,909,998		Fully paid
7.4 Changes during quarter				
(a) Increases through issues	46,700,000	46,700,000	14	14
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i> Convertible Notes	10,000,000	-	US\$1 per note	US\$0.953 per note
7.6 Changes during quarter				
7.7 Options <i>(description and conversion factor)</i>	500,000 2,000,000	- -	<i>Exercise price</i> 30 cents 15 cents	<i>Expiry date</i> 31/5/2011 14/12/2012
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: M Fenton
(Director)

Date: 30 July 2010

Print name: Dr Mark Fenton
Managing Director

Notes

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