



QUARTERLY ACTIVITY REPORT For the period ending 31 December 2011

The Directors wish to report the following activities for the quarter ended 31 December 2011:

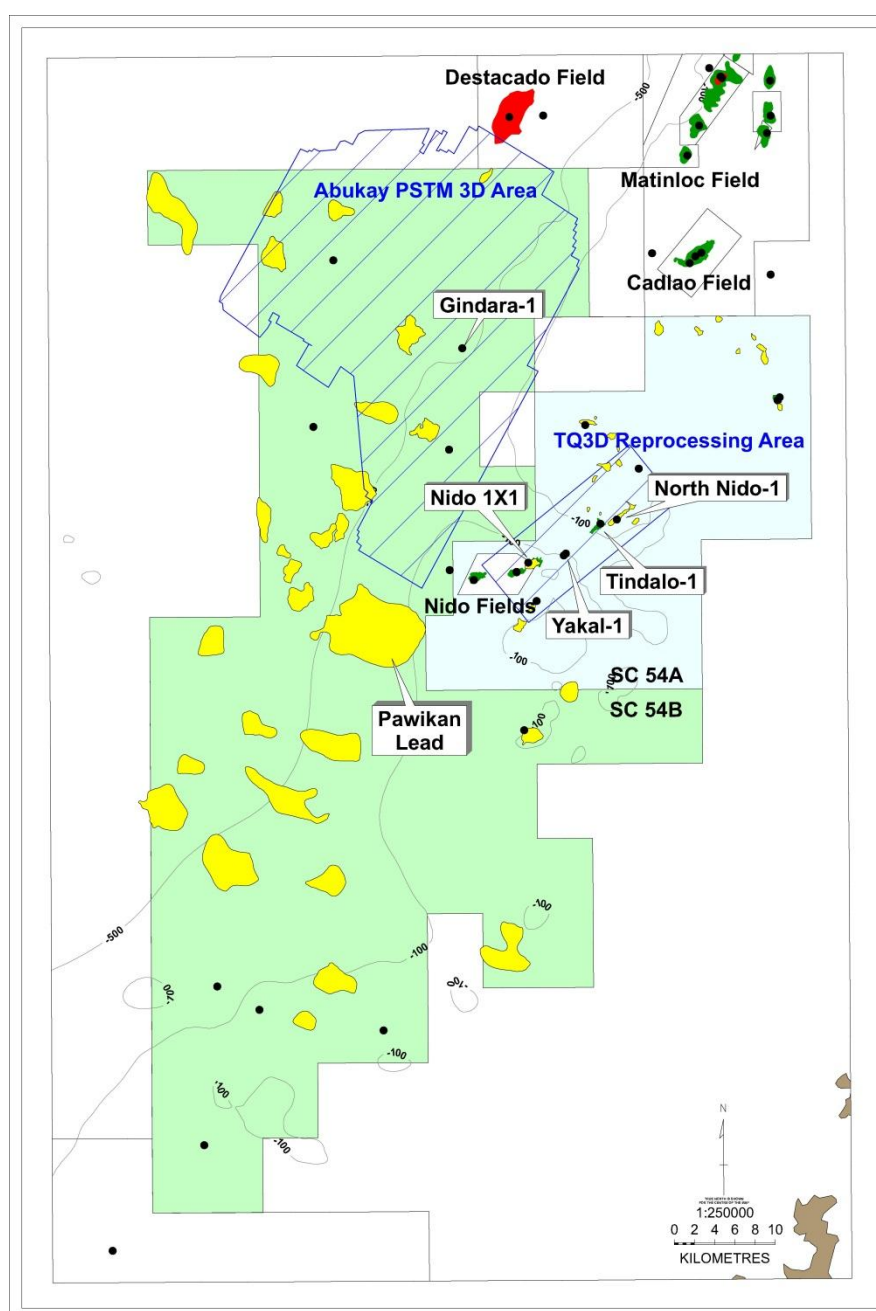
Highlights:

- ❖ **SC 54A and SC 54B seismic surveys successfully completed.**
 - ❖ **SC 54B: Shell Philippines Exploration B.V. announced its withdrawal from the SC 54B Joint Venture resulting in Kairiki's participating interest increasing from 22% to 40%.**
-

Oil & Gas Activities

Philippines Offshore Oil and Gas Permit

- SC 54A - 30.1% Participating Interest
- SC 54B - 40% Participating Interest (effective 30 December 2011, previously 22%)



Location map – Blocks SC 54A & SC 54B

Combined SC 54B and SC 54A Seismic Surveys

Combined SC 54B Pawikan 2D and SC 54A Lawaan/Libas seismic surveys were successfully completed over the period 29 November to 10 December 2011 using the seismic vessel MV 'Nordic Energy' operated by seismic contractor Nordic Maritime Pte Ltd. Pre-survey operations commenced on 30 October 2011 with the deployment into the survey area of the MV 'Eagle V' to acquire a high resolution bathymetry survey ahead of the main seismic acquisition phase.

Processing of the 2D seismic data is currently being undertaken and interpretation of the fully processed 2D seismic data sets is expected to be completed during the second quarter of 2012.

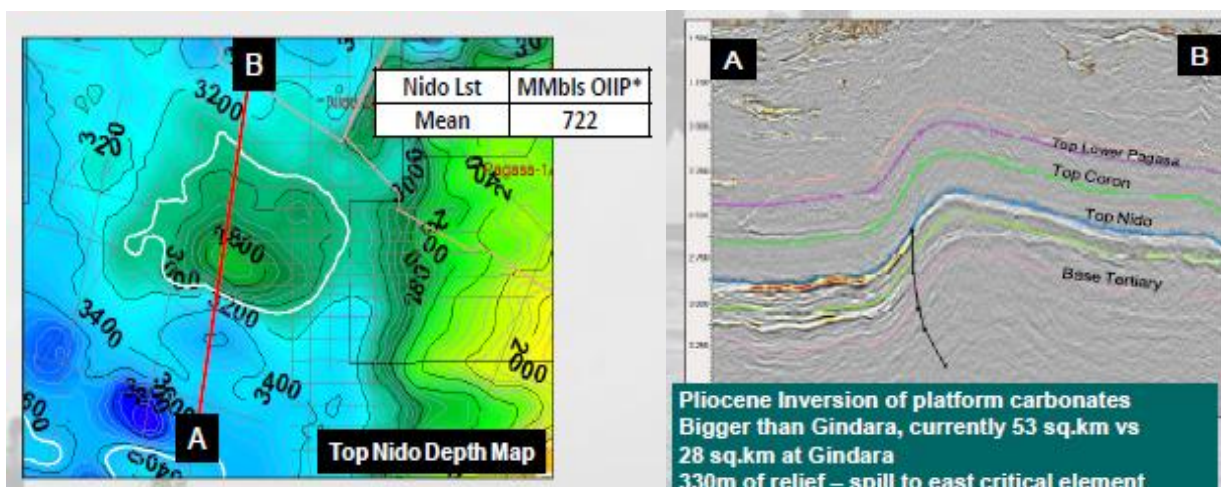
SC 54B

Pawikan Lead 2D Seismic Survey

A total of 430 kilometres of full-fold line new 2D seismic data was acquired over the Pawikan Lead. The objective of the new seismic is to mature the Pawikan Lead to Prospect status by addressing remaining risks relating to reservoir and charge into the Pawikan structure.

The Pawikan Lead is a large inversion structure about 56 sq km in size. It lies 30 km to the south of the non-commercial Gindara-1 gas and oil discovery well, which was drilled by the SC 54B Joint Venture in 2011, and 10 kilometres south-west of the Service Contract 14 Nido A/B oilfields. Prospective Resource oil-in-place estimate for Pawikan is approximately 2 billion barrels (gross, unrisksed mean volume as quoted by Operator).

Seismic reprocessing of some 2D seismic lines within the southern portion of SC 54B has provided some preliminary evidence for the possible existence of the southern extension of the Malampaya Trough adjacent to the Pawikan lead. This could have implications for the prospectivity of the southern part of SC 54B as the Malampaya Trough is considered to have generated the hydrocarbons encountered in Gindara-1.



Pawikan Lead – Top Nido Depth Map

Pawikan Lead – Seismic Section



SC 54B Current Working Interests

The participating interests in SC 54B changed effective from 30 December 2011 following the decision by Shell Philippines Exploration B.V. to withdraw from the block. Shell had farmed into the block in October 2010 for the drilling of the Gindara-1 exploration well.

Previous SC 54B participating interest holders:

Company	Working Interest
Nido Petroleum Philippines Pty Ltd (Nido) – Operator	33%
Yilgarn Petroleum Philippines Pty Ltd (Kairiki)	22%
Shell Philippines Exploration B.V. (Shell)	45%

Current SC 54B participating interest holders:

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

SC 54A

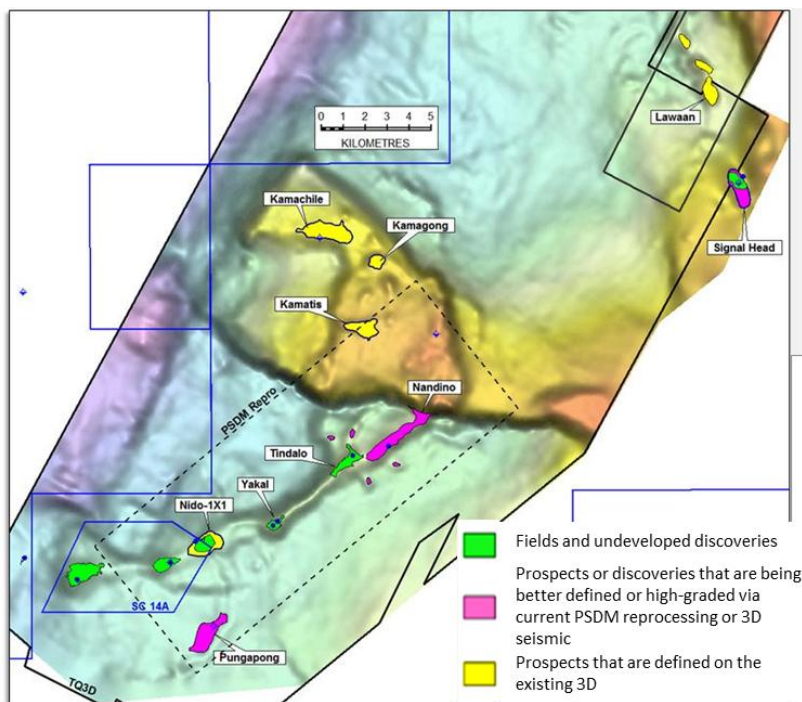
Seismic Survey

A total of 73 kilometres of full-fold line new 2D seismic was acquired over the greater Lawaan and Libas Prospects. The objective of the survey was to determine if the two prospects are connected structurally. Confirmation that the two prospects are structurally connected would further upgrade the potential of the larger Lawaan Prospect, which is currently the leading drilling candidate in SC 54A. Prospective resource oil-in-place estimates for Lawaan and Libas are currently 34.7 million barrels and 12.0 million barrels respectively (gross, unrisksed mean volume, estimates provided by the Operator).

Prospects and Leads Inventory

A substantial portfolio of potentially economic prospects and discoveries was reaffirmed during the quarter by the Operator, with the highest graded opportunity identified to be the Lawaan exploration prospect. Total oil in place resources are estimated by the Operator at 145 million barrels in the top 10 prospects/leads (gross unrisksed).

Location Map and Portfolio Inventory – SC 54A



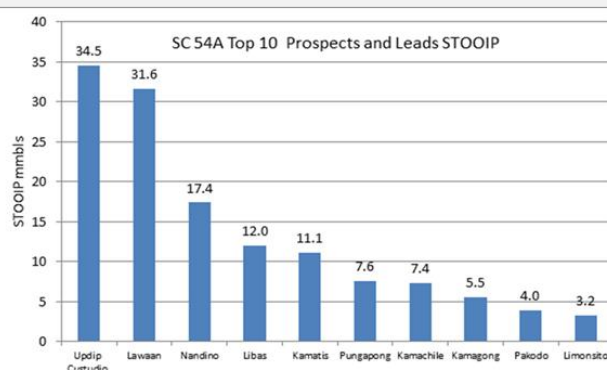
(1) Gross, un risked, most likely volumes

3 undeveloped discoveries with combined OIIP ~25 MMbbl (1)

- Yakal-1
- Nido-1X1 (focus area)
- Signal Head-2

Numerous exploration targets identified with combined OIIP ~145MMbbl OIIP (1)

- Lawaan is the highest ranked Nido Limestone exploration target
- Reprocessing 3D seismic over Nido 1X1



Farm-in

Discussions with the selected farminee for KIK's SC54A interest have been ongoing during the period and should be completed by the end of the next quarter.

SC 54A Working Interests

Company	Working Interest
Nido Petroleum Philippines Pty Ltd (Nido) - Operator	42.4%
Yilgarn Petroleum Philippines Pty Ltd (Kairiki)	30.1%
Trafigura Ventures III BV (Trafigura)	15.0%
TG World (BVI) Corporation (TG World)	12.5%

Corporate Summary



Cash Position

At 31 December 2011, Kairiki had a cash balance of \$2,631,000. The decrease in cash during the quarter of \$750,000 was attributable to the following:

- Exploration costs of \$0.22 million;
- Payment of interest on the Convertible Note of \$0.10 million;
- General and administrative costs, net of interest received, of \$0.34 million;
- Costs of the September 2011 rights issue of \$0.08 million; and
- Exchange losses of \$0.01 million.

Loyalty Bonus Option Issue

1,295,790,294 Bonus Options were issued to Eligible Shareholders registered on the Company's share register at 2 November 2011 on the basis of one (1) loyalty Bonus Option for every two (2) Shares held. The terms and conditions of the loyalty Bonus Options were the same terms and conditions as the Attaching Options issued in the September 2011 rights issue. The exercise price is \$0.004 and the exercise period is between 1 June 2013 and 30 June 2013. If a Bonus Option is exercised between 1 June 2013 and 30 June 2013, the Bonus Option holder is entitled to receive a Secondary Option exercisable at \$0.004 on or before 30 June 2015.

Yours faithfully

Dr Mark Fenton
Managing Director

For more information on the Company visit www.kairikienergy.com

Competent Persons Statement:

The information in this report relating to potential hydrocarbon resource estimates have been compiled by Dr M Fenton, the Company's Managing Director, in consultation with the operator of the respective Joint Venture, where appropriate. Dr Fenton has a PhD and a Bachelor of Science (Honours) in Geology from the University of Melbourne and is also a member of the Society of Petroleum Engineers (SPE) and has more than 25 years of relevant experience in the oil and gas industry.