

QUARTERLY ACTIVITY REPORT

For the period ending 31 December 2012

The Directors wish to report the following activities for the quarter ended 31 December 2012:

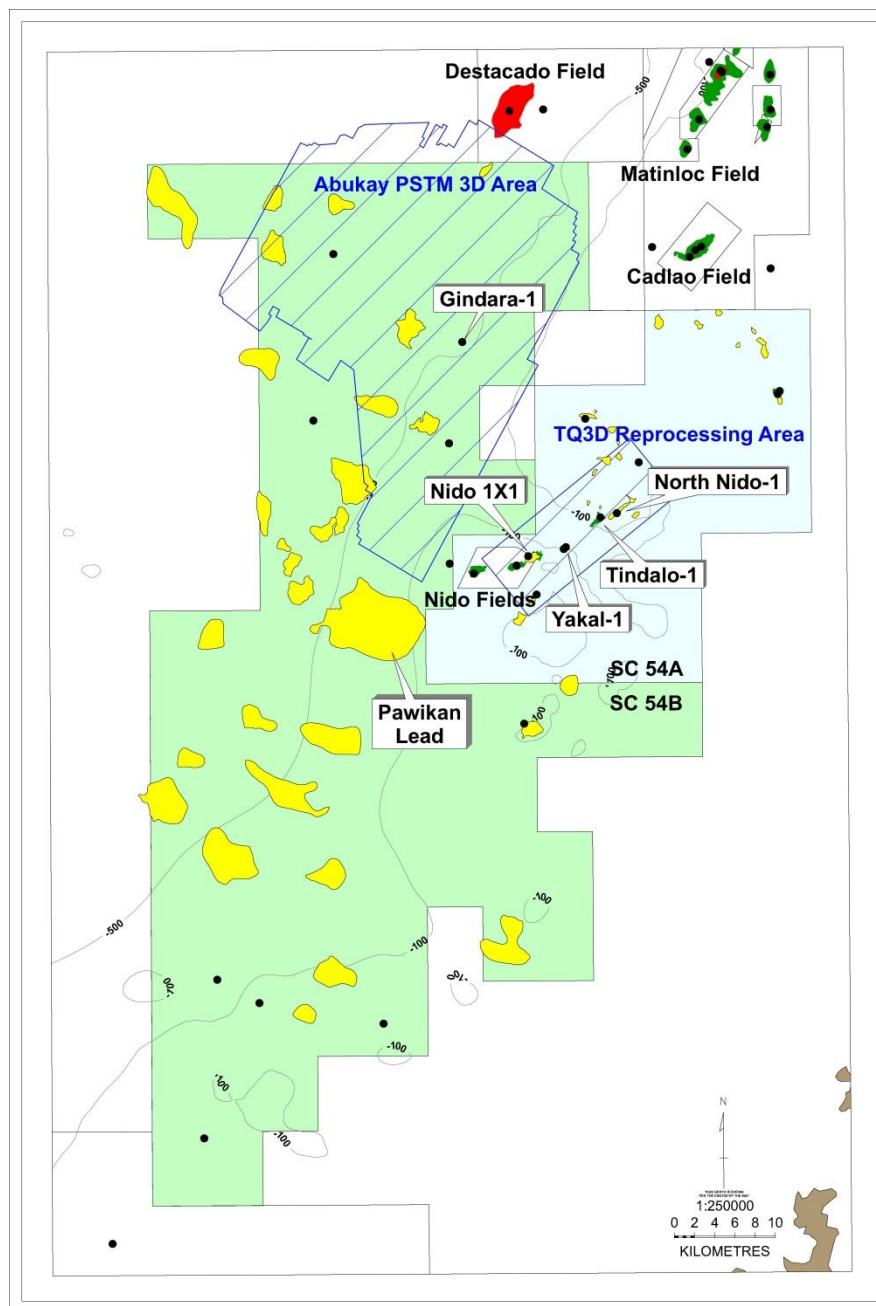
Highlights:

- ❖ The SC 54A Joint Venture partners advised Viking that it has until 28 February 2013 to complete a reserves certification ahead of a decision to continue with a potential farm-in to SC 54A.
 - ❖ Potential joint development of Nido 1X1 discussed with SC 14A Joint Venture.
 - ❖ Subsurface mapping of Pawikan lead progressed by Operator.
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Oil & Gas Activities

Philippines Offshore Oil and Gas Permit

- SC 54A - 30.1% Participating Interest
- SC 54B - 22% Participating Interest



Location map – Blocks SC 54A & SC 54B

SC 54A

Agreement with Viking Energy

On 1 June 2012 Kairiki announced that Yilgarn Petroleum Philippines Pty Ltd (Kairiki Energy), in conjunction with the SC 54A Joint Venture partners, had signed a Memorandum of Agreement (“MoA”) with Viking Energy Holdings 2 Ltd (“Viking”) to develop oil fields in SC 54A. The MoA is subject to negotiation and execution of a formal agreement between the parties.

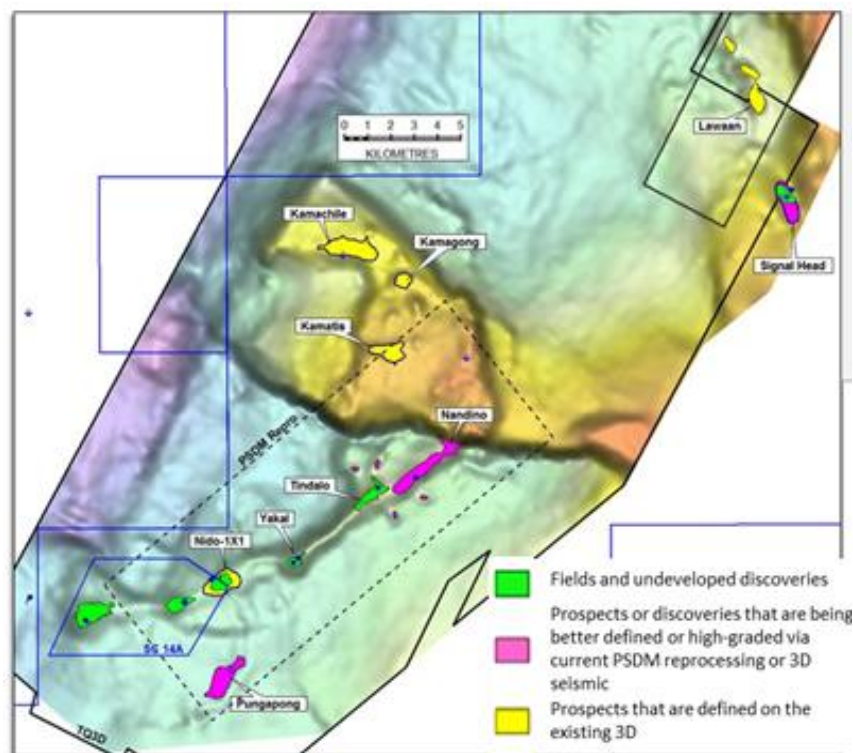
Viking has indicated that it needs to complete a reserves certification prior to concluding a potential farm-in arrangement. The SC 54A Joint Venture partners have advised Viking that it has until 28 February 2013 to complete a reserves certification and decide if it wishes to continue with the farm-in proposal.

Potential Nido 1X1 Development with SC 14A

The Joint Venture has held discussions with the Operator of SC 14A in relation to the development of Nido 1X1 using the existing SC 14A infrastructure. Nido 1X1 straddles the SC 54A and SC 14A permits.

Prospects and Leads Inventory

Interpretation of the Lawaan-Libas exploration prospects was finalised during the quarter.



Location Map and Portfolio Inventory – SC 54A

SC 54A Working Interests

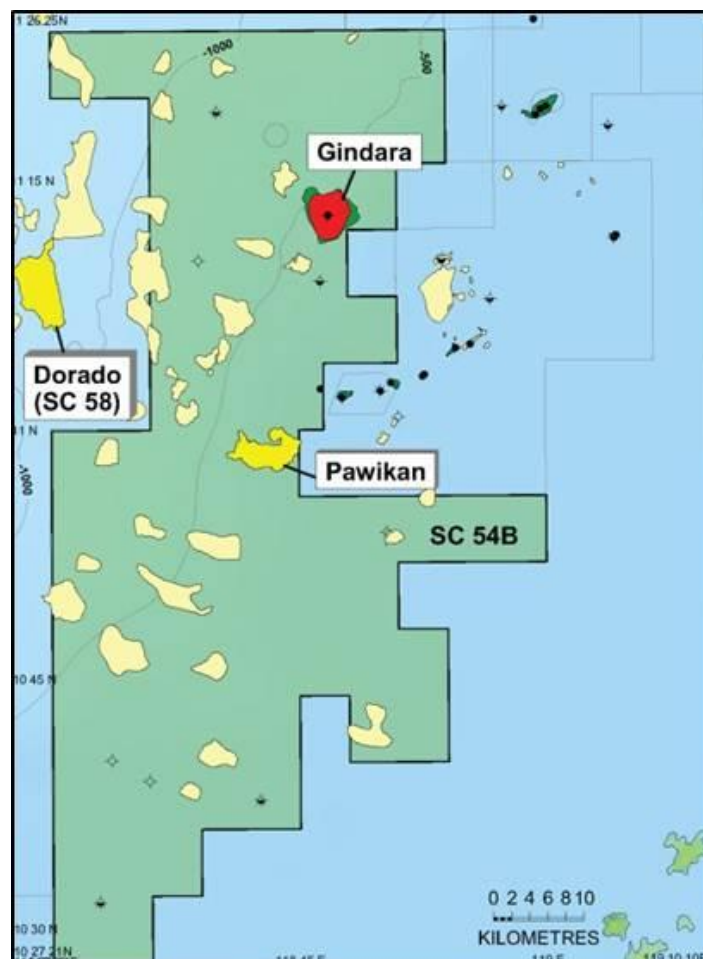
Company	Working Interest
Nido Petroleum Philippines Pty Ltd (Nido) – <i>Operator</i>	42.4%
Yilgarn Petroleum Philippines Pty Ltd (Kairiki)	30.1%
Trafigura Ventures III BV (Trafigura)	15.0%
TG World (BVI) Corporation (TG World)	12.5%

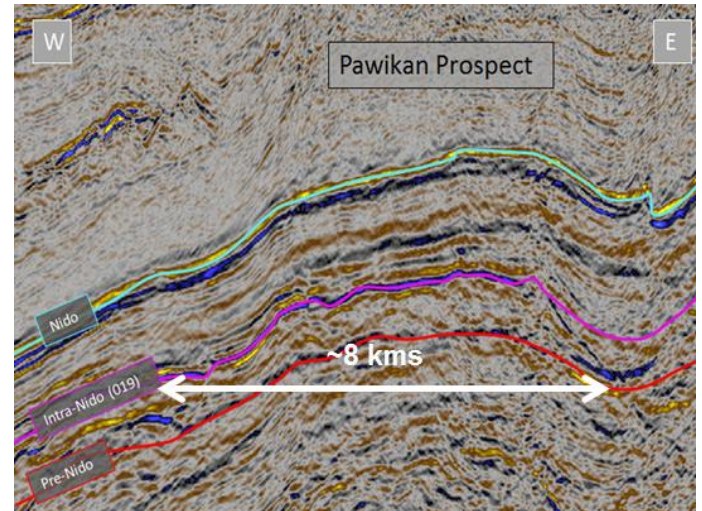
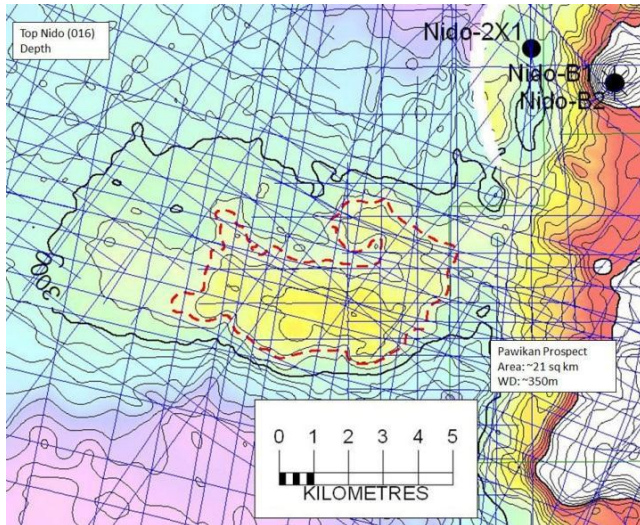
SC 54B

The Pawikan Lead is a large inversion structure in water depth of approximately 350 metres. 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.

Subsurface work over the quarter focused on mapping the internal Nido Limestone reservoir facies over the greater Pawikan area in order to better understand the Pawikan reservoir model as well as estimating resource potential volumetrics and risks.

Further work is planned to better constrain depth conversion sensitivities at Top Nido stratigraphic level across the greater Pawikan area. This work will be finalised during Q1 2013.





SC 54B Working Interests

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



Corporate Summary

Cash Position

At 31 December 2012, Kairiki had a cash balance of \$706,000. The decrease in cash during the quarter of \$524,000 was primarily attributable to the following:

- General and administrative costs, net of interest received, of \$351,000;
- Payment of interest and withholding taxes on the Convertible Note of \$80,000; and
- Exploration costs of \$94,000.

New Ventures

During the quarter the Company has been actively engaged in looking at corporate and project opportunities worldwide as part of an effort to recapitalise and reinvigorate the asset portfolio of the Company. In particular, the Company has been targeting an on-shore US Gulf Coast oilfields rejuvenation project as well as a shallow-water Gulf of Mexico oil development project.

Director Appointment

Subsequent to the end of the quarter, the Company announced the appointment of Mr Steven Wood to the Board as a non-executive director.

Yours faithfully

Dr Mark Fenton
Managing Director

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