



## **QUARTERLY ACTIVITY REPORT**

### **For the period ending 30 September 2012**

The Directors wish to report the following activities for the quarter ended 30 September 2012:

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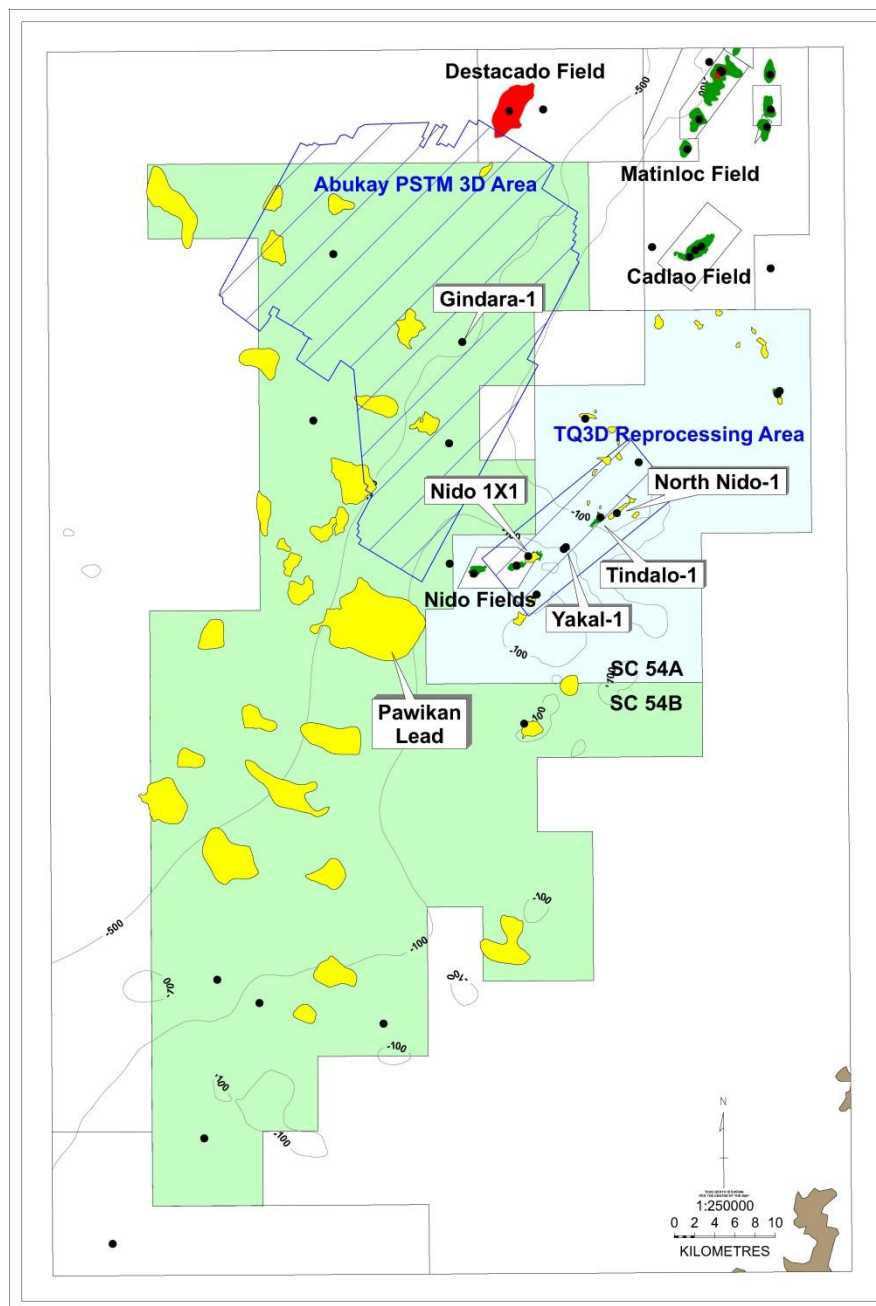
#### **Highlights:**

- ❖ **Farm-in agreement with Viking Energy to develop oil field discoveries in SC 54A in progress.**
  - ❖ **New 2D seismic has upgraded the SC 54B Pawikan Lead to Advanced Lead status.**
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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 (collectively the "Participants"), had signed a Memorandum of Agreement ("MoA") with Viking Energy ("Viking") to develop oil fields in SC 54A. The MoA is subject to negotiation and execution of a formal agreement between the parties.

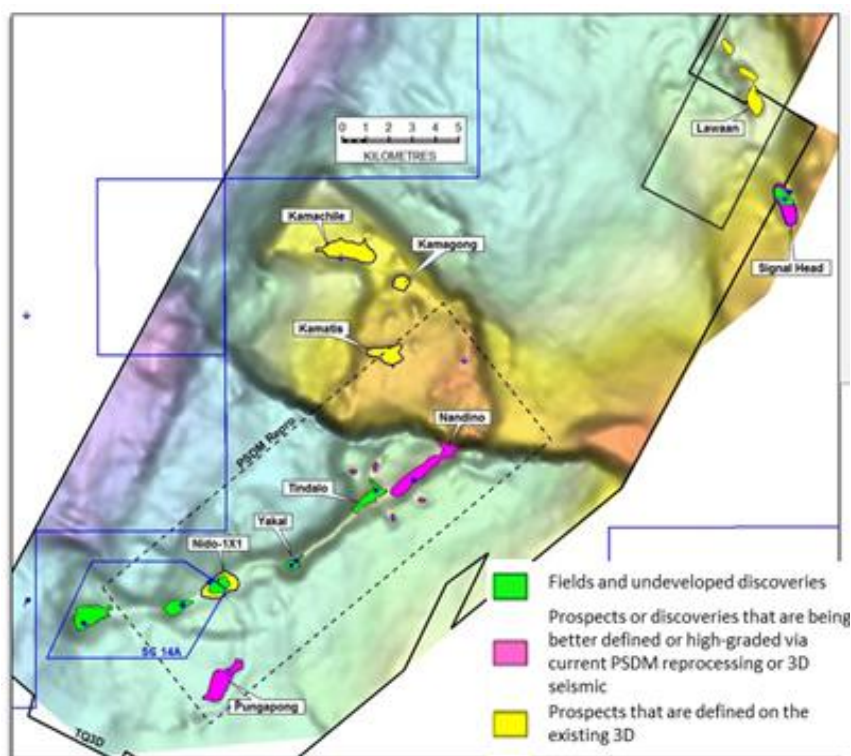
The MoA outlines key commercial terms upon which a Farm-in Agreement will be negotiated. Broadly, these terms are as follows:

- The Participants will collectively assign 60% equity in SC 54A in return for Viking assuming Operatorship and carrying the Participants into the development of a number of oilfield discoveries in SC54A;
- Viking will finance all required capital expenditure associated with the developments; The final investment amount will be agreed between Viking and the Participants on selection of the most appropriate technical and commercial solution; and
- Viking will receive a preferential proportion of the net cash flow generated from SC 54A until such time as it has recovered in full its capital expenditure in the project.

Viking plans to utilise cost-effective offshore production and storage facilities consisting of a mobile offshore production unit ("MOPU") and a FSO/Storage Tanker moored to a CALM Buoy to commercialise the oil fields. The Participants and Viking will work in collaboration with Offshore Production Solutions ("OPS") and Thome Oil & Gas ("TOG") on the project, whereby OPS will provide offshore production facilities under bareboat charter arrangements on competitive market terms to be agreed, and TOG will provide operation and maintenance services for the offshore production facilities under an operation and maintenance agreement on competitive market terms to be agreed.

It is anticipated that the first field will be brought into production by Q4 2013, subject to relevant approvals from third parties and the Philippine Department of Energy, and the availability of rig and production facilities.

During the quarter, the SC 54A Joint Venture has continued to negotiate the terms of the Farm-in Agreement and the Charter Agreement with Viking Energy.



**Location Map and Portfolio Inventory – SC 54A**

### SC 54A Participating Interests

Participating interests in SC 54A relating to the MoA are as follows:

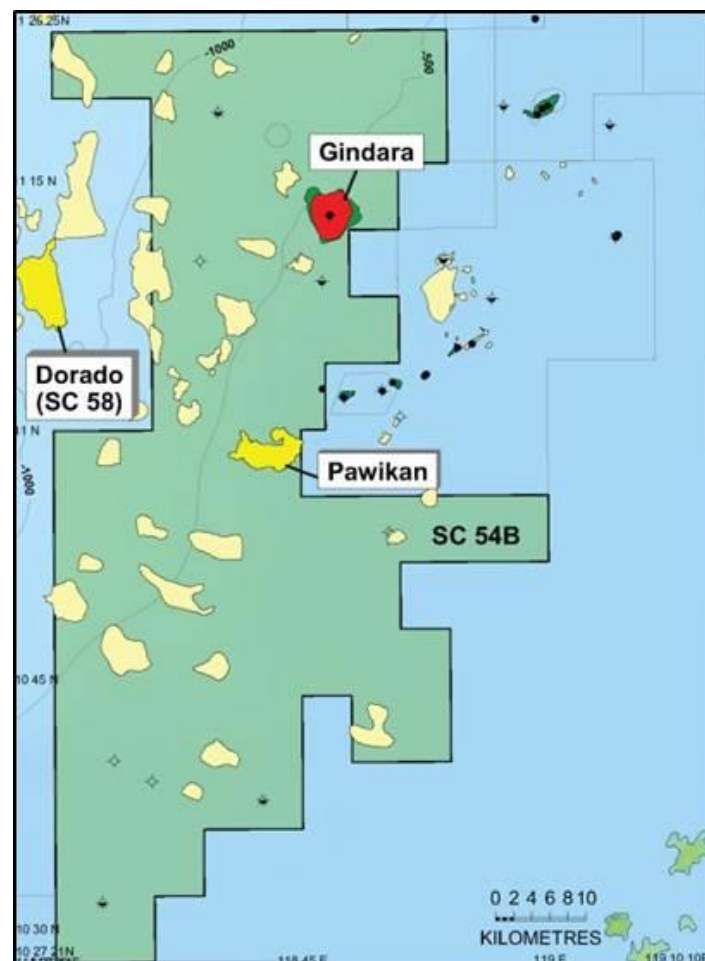
Company	Present	Post Farm-in
Nido Petroleum Philippines Pty Ltd (Nido)	42.4% (Operator)	16.96%
Yilgarn Petroleum Philippines Pty Ltd (Kairiki)	30.1%	12.04%
Trafigura Ventures III BV (Trafigura)	15.0%	6.00%
TG World (BVI) Corporation (TG World)	12.5%	5.00%
Viking Energy Holdings 2 (Viking Energy)	0.00%	60.00% (Operator)

## SC 54B

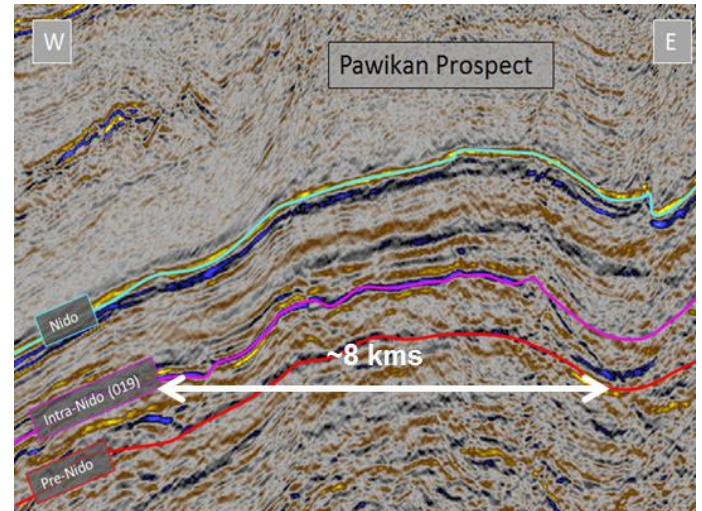
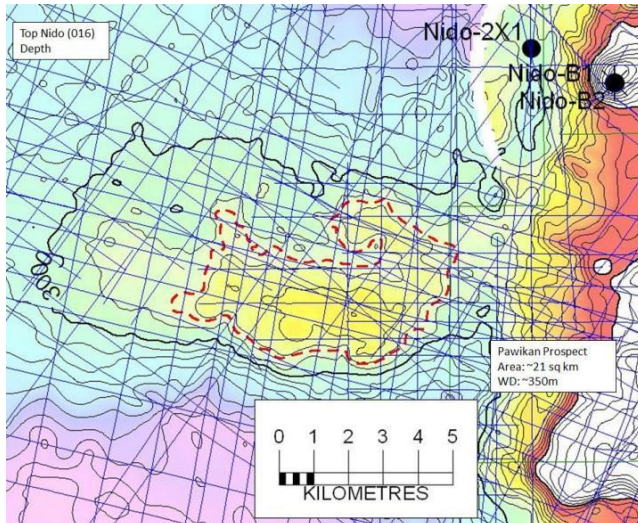
A total of 430 kilometres of full-fold line new 2D seismic data was acquired over the Pawikan Lead in 2011. The objective of the new seismic is to mature the Pawikan Lead to Prospect status by addressing remaining risks relating to reservoir and charge into the Pawikan structure. It has confirmed closure along the eastern flank of the Pawikan structure. Depth sensitivities and revised volumetrics are currently being finalised by the Operator.

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. Prospective Resource oil-in-place estimate for Pawikan based on pre integration of the newly acquired seismic data is approximately 2 billion barrels (gross, unrisked mean volume as quoted by Operator).

Seismic reprocessing of 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.







### SC 54B Current Working Interests

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



## Corporate Summary

### Cash Position

At 30 September 2012, Kairiki had a cash balance of \$1,230,000. The decrease in cash during the quarter of \$110,000 was primarily attributable to the following:

- General and administrative costs, net of interest received, of \$254,000;
- Payment of interest and withholding taxes on the Convertible Note of \$85,000;
- Exploration costs of \$15,000; and
- Exchange losses on cash held of \$6,000;

Partially offset by:

- Proceeds for the sale of Australian mineral tenements under an option agreement of \$250,000 (net of GST).

Yours faithfully

Dr Mark Fenton  
Managing Director

For more information on the Company visit [www.kairikienergy.com](http://www.kairikienergy.com)