

QUARTERLY ACTIVITY REPORT For the period ending 30 June 2015

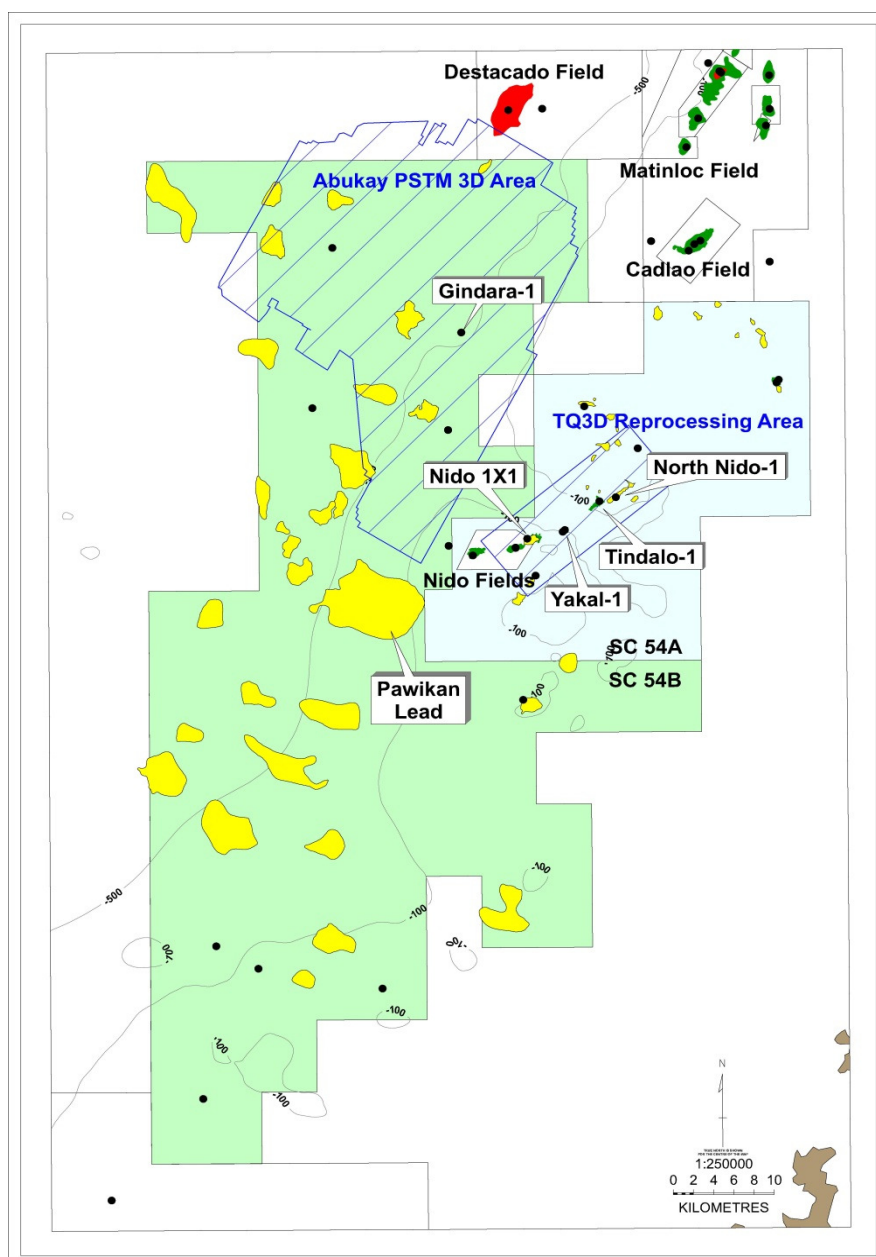


The Directors wish to report the following activities for the quarter ended 30 June 2015:

Oil & Gas Activities

Philippines Offshore Oil and Gas Permit

- SC 54A - 30.1% Participating Interest
- SC 54B - 40% Participating Interest

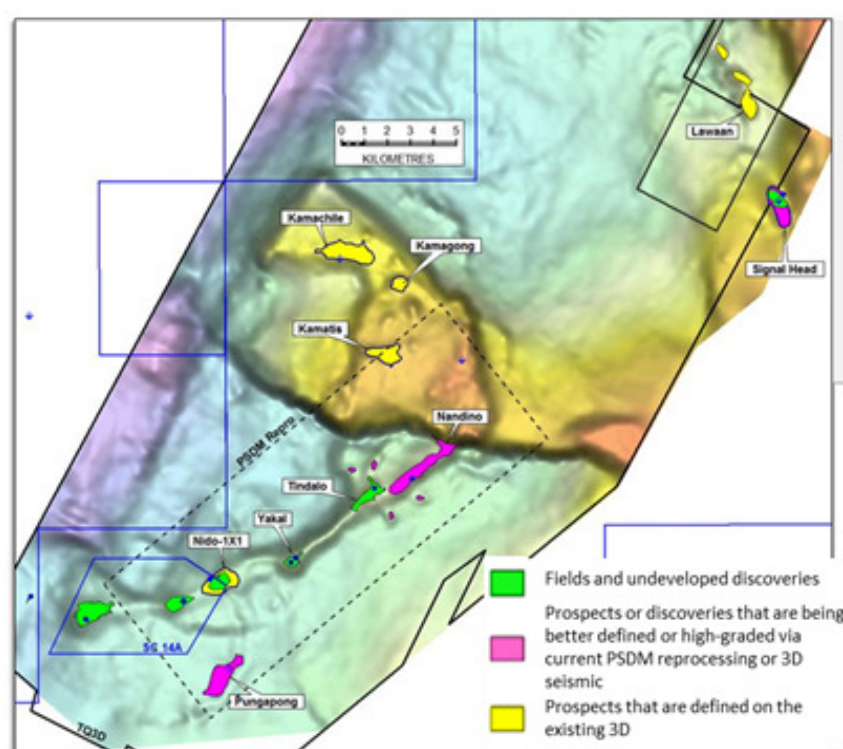


Location map – Blocks SC 54A & SC 54B

The Philippines Department of Energy has granted a moratorium on Service Contract 54 from 5 August 2014 to 5 August 2017 to give the joint venture sufficient time to study the development of the discovered marginal resources in the block. At the end of the moratorium period, the joint venture should elect to enter sub-phase 7 with a commitment to drill one well. If the Joint Venture elects to continue into the production period, the 3 year moratorium period will be automatically deducted to the initial production period.

SC 54A

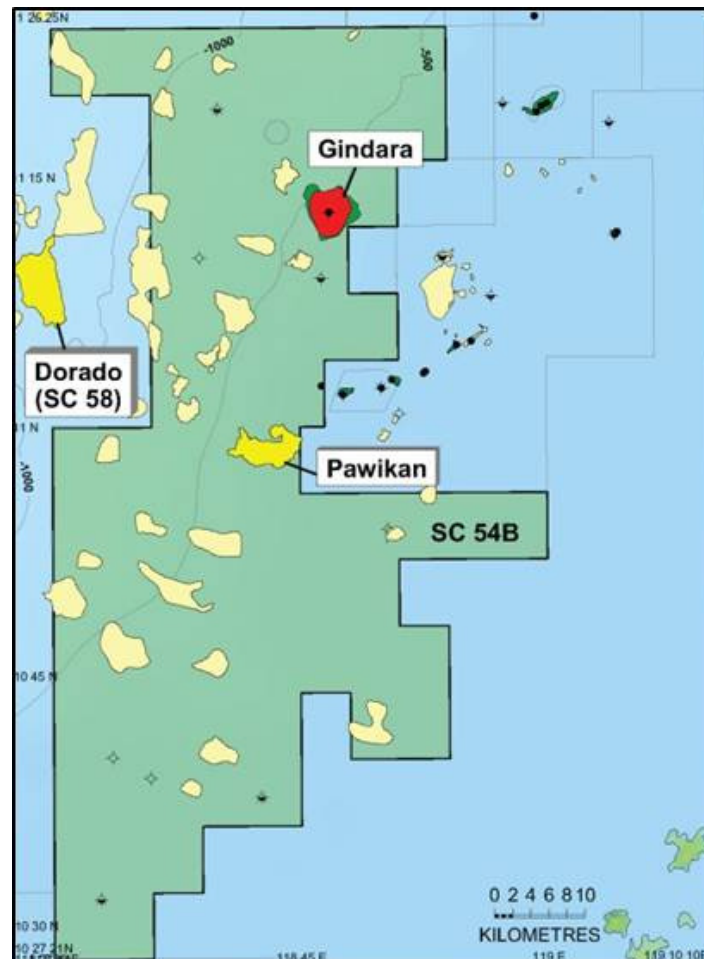
No work was carried out by the Joint Venture during the quarter.



Location Map and Portfolio Inventory – SC 54A

SC 54B

No further technical work was carried out by the Joint Venture during the quarter.



Corporate Summary

Disposal of Interest in Service Contract 54A and 54B

During the quarter, the Company terminated the binding term sheet with Focus Oil and Gas Limited (**Focus**) for the disposal of its entire interest in the share capital of Yilgarn Petroleum Philippines Pty Ltd (**Yilgarn**) due to the non-satisfaction of conditions precedent.

In contemplation of the likely non-satisfaction of the conditions precedent on the Focus agreement, the Company entered into discussions with its secured creditor IMC Oil & Gas Investments Ltd (**IMC**) (the Company's major shareholder and holder of a fixed and floating charge over the Company and Yilgarn) with respect to a restructure of the existing debt facility.

As a result, the Company entered into a Share Purchase Agreement with IMC for the disposal of its entire interest in the share capital of Yilgarn (**Disposal**). Yilgarn is the holder of the Company's interest in Service Contract 54A and 54B in the Philippines, being the main undertaking of the Company.

The key terms of the Disposal are as follows:

- (i) Completion of the Disposal is subject to and conditional on a number of matters, including:
 - (a) The Company obtaining shareholder approval for the Disposal pursuant to ASX Listing Rule 10.1 and 11.2; and
 - (b) Kairiki having notified the other joint venture partners of the change of control of Yilgarn pursuant to the joint operating agreement relevant to each joint venture interest; and
 - (c) Kairiki providing IMC with the proposed work program and budget from the operator for the current year.
- (ii) The consideration to be paid by IMC for the Disposal comprises:
 - (a) forgiveness of debt due to IMC of an amount of \$488,000 under a Finance Facility Agreement;
 - (b) the payment of an amount of \$221,000 to cover the Company's existing indebtedness; and
 - (c) an amount of \$75,000 to cover the costs of implementing the proposed Disposal.

A shareholders meeting to consider the proposal will be held on 19 August 2015.

New Ventures

During the quarter, the Company continued to review new project opportunities.

Yours faithfully

N J Bassett
Company Secretary