



QUARTERLY ACTIVITY REPORT

For the period ending 30 September 2011

The Directors wish to report the following activities for the quarter ended 30 September 2011:

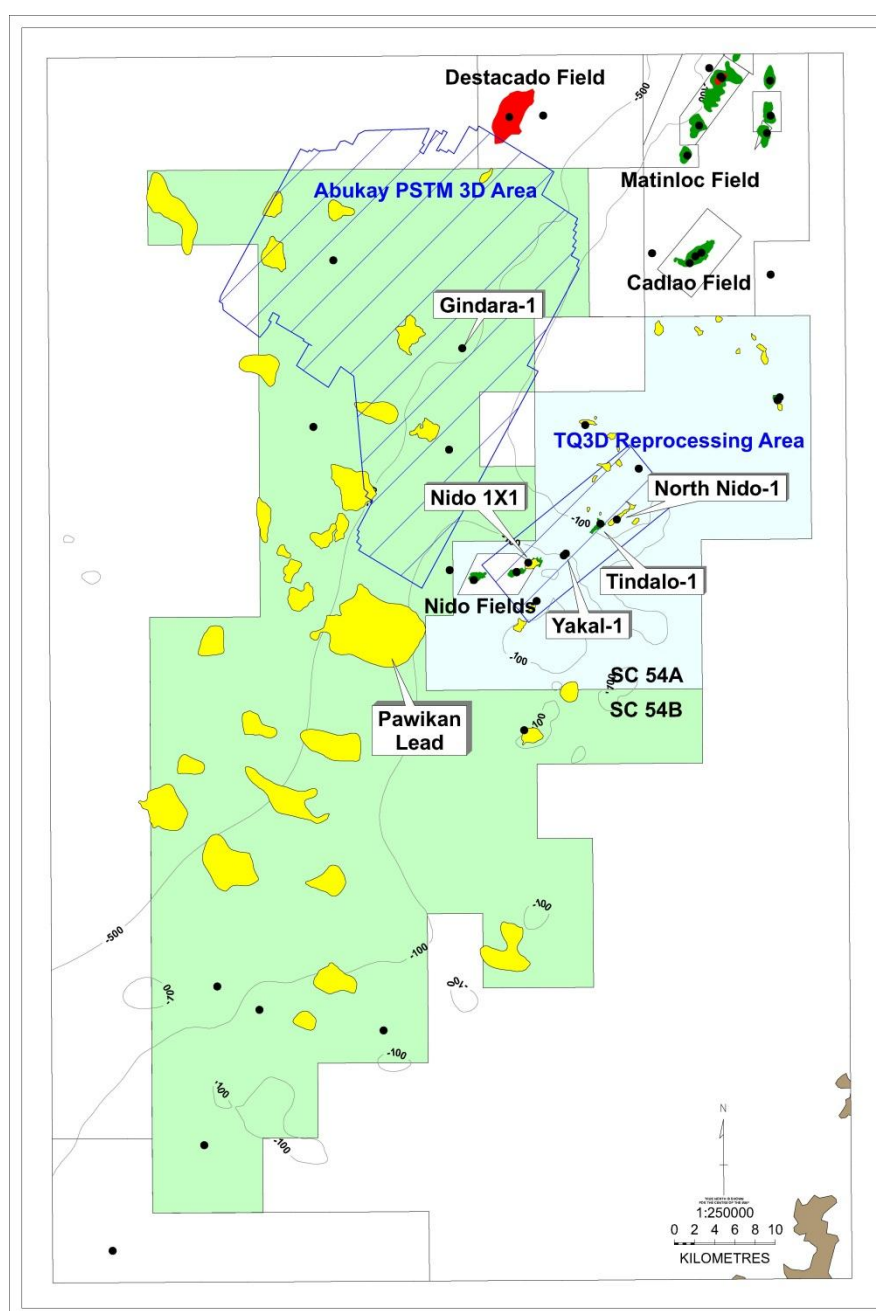
Highlights:

- ❖ **Completion of underwritten rights issue in September 2011 raising \$6.0 million before issue costs.**
 - ❖ **A 12 month extension to the current SC 54A and SC 54B services contracts was approved by the Philippines Department of Energy in July 2011.**
 - ❖ **In July 2011 the Company announced it had selected its preferred farm-in partner in SC 54A. Negotiations are ongoing.**
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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

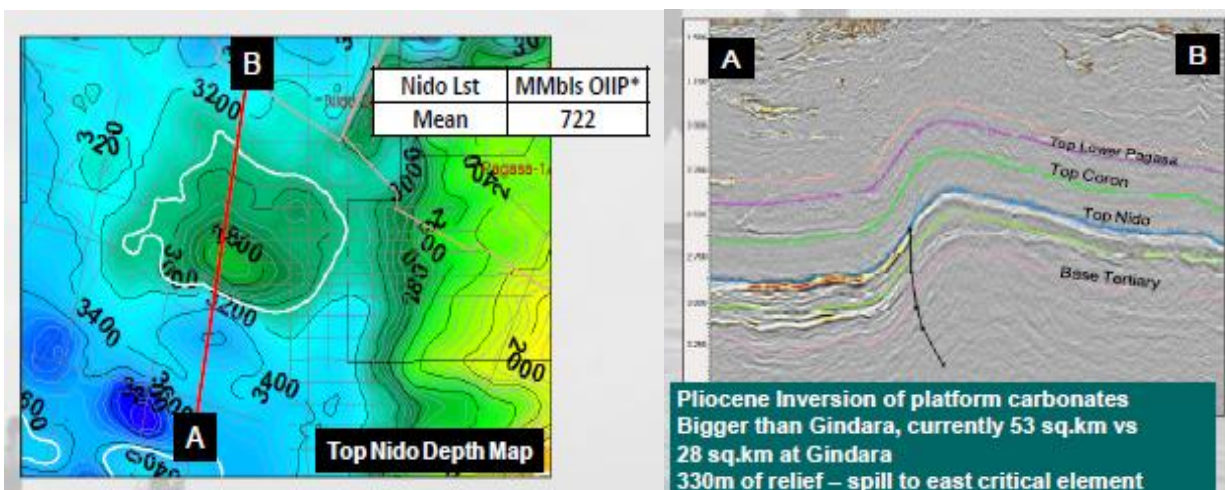
SC 54B

Pawikan Lead

The recent discovery of a 187 metre hydrocarbon column in the Gindara-1 well in SC 54B, although not commercial, highlighted the exploration prospectivity of the block when considered in combination with the potentially encouraging results from the reprocessing of seismic over the central and southern parts of the SC 54B permit. The Pawikan lead in the southern part of the block has been identified on existing regional seismic data. It is larger and potentially more oil-prone than Gindara, at 53 km² in size with an approximately 300+ metre relief and in-place oil potential estimated at circa 2 bln bbls (unrisked independent estimate as quoted by Operator).

The Joint Venture intends to acquire further 2D seismic in the December 2011 quarter over the Pawikan lead. This additional seismic will mature the Pawikan lead for possible drilling in the future. This seismic acquisition in SC 54B would significantly progress Kairiki's exploration and evaluation efforts over the next 12 to 18 months.

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 approximately 30 km to the north of Pawikan.



Pawikan Lead – Top Nido Depth Map

Pawikan Lead – Seismic Section

SC 54B Current Working Interests

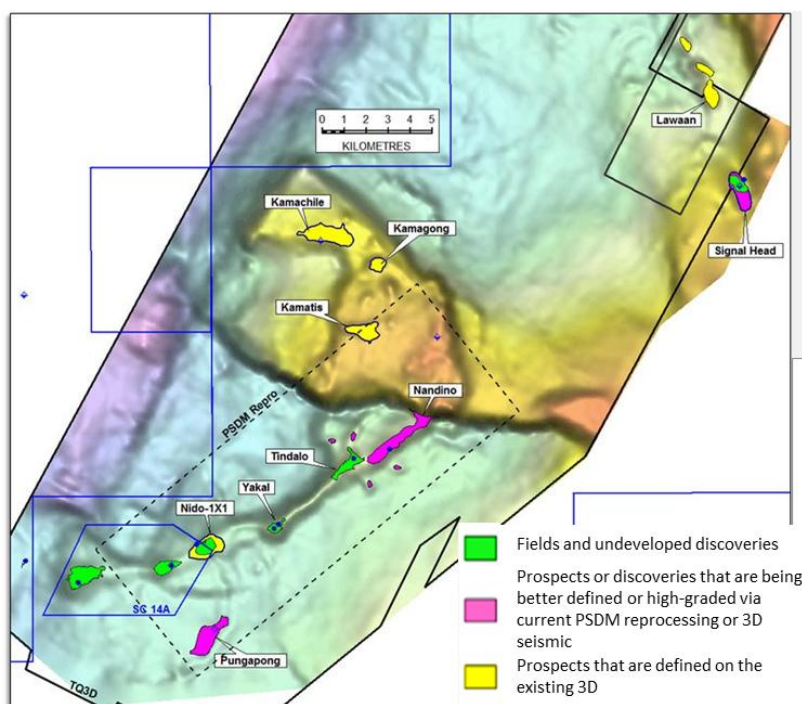
Company	Working Interest
Nido Petroleum Philippines Pty Ltd (Nido) – Operator	33%
Yilgarn Petroleum Philippines Pty Ltd (Kairiki)	22%
Shell Philippines Exploration B.V. (Shell)	45%

SC 54A

Seismic Reprocessing

Work is currently ongoing to determine the potential oil volumes within the Nido 1X1 oil discovery and commercialisation scenarios.

A substantial portfolio of potentially economic prospects and discoveries has been re-affirmed, with the highest graded opportunities identified to be the Nido 1X1 discovery and the Lawaan exploration prospect. Total oil in place resources are estimated by the Operator at 145 mmbbls in the top 10 prospects/leads (gross un-risked).



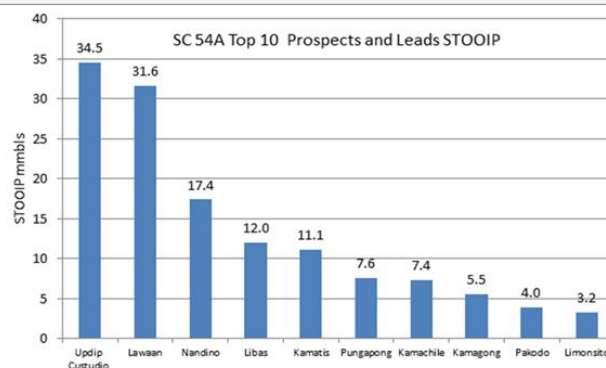
(1) Gross, un risked, most likely volumes

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



Location Map and Portfolio Inventory – SC 54A



Farmin

In July 2011 Kairiki announced that it had selected its preferred farminee party to farm-in to the SC 54A permit. The Party was granted an exclusive 60 day period to finalise its due diligence review and complete and execute farm-out and associated agreements. This exclusivity period was extended by an additional 30 days on 5 September 2011 and has now expired. Negotiations with the Party are continuing.

A condition of the farm-in negotiations requires the identity of the Party together with the terms of the farm-in agreement to remain confidential until the necessary farm-out documents have been executed.

The transaction contemplated will, if completed, result in Kairiki reducing its interest in SC 54A from 30.1% to 15.05% in return for a funded work programme involving drilling within the permit. Kairiki's expenditure commitments in SC 54A in the short to medium term are therefore expected to be minimal.

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 54

In July 2011, a 12 month extension to the current work period (SP-6) for Service Contract 54 which ends on 4 August 2011 was granted by the Philippine Department of Energy (DOE). This extension of Sub Phase 6 until the 4 August 2012 applies to both SC 54A and SC 54B blocks.

The well commitment associated with Sub Phase 6 has been met by the drilling of Gindara-1. A one well commitment in Sub Phase 7, which follows immediately after Sub-Phase 6 and ends in August 2013, would be met by SC 54A if the SC 54A Joint Venture elected to enter the Sub Phase.

By the end of Sub Phase 6, the exploration prospectivity of the central and southern parts of SC 54B will be assessed in light of the Gindara discovery and any future seismic data acquired with a Joint Venture decision to be made on a possible follow-up exploration well over the Pawikan lead.



Corporate Summary

Cash Position

At 30 September 2011, Kairiki had a cash balance of \$3,381,000. The increase in cash during the quarter of \$1,579,000 was attributable to the following:

- Net proceeds from rights issue of \$5.57 million;

offset by:

- Exploration costs of \$2.52 million;
- Repayment of the Convertible Note of \$0.95 million;
- Payment of interest on the Convertible Note of \$0.13 million;
- General and administrative costs, net of interest received, of \$0.41 million; and
- Exchange gains of \$0.02 million.

Underwritten Rights Issue

On 6 September 2011, the Company completed a pro-rata renounceable rights issue underwritten by Lead Manager, Patersons Securities Limited, to an amount of \$6,000,000.

The rights issue was for three new shares for every two shares held as at 2 August 2011. 1,500,533,130 shares were issued at an issue price of \$0.004, raising \$6,002,133.

For every four shares subscribed for in the rights issue, one Attaching Option was issued at no additional cost. The Attaching Options have an exercise price of \$0.004 and an exercise period between 1 June 2013 and 30 June 2013. If an Attaching Option is exercised between 1 June 2013 and 30 June 2013, the Attaching Option holder is entitled to receive a Secondary Option exercisable at \$0.004 on or before 30 June 2015.

Eligible Shareholders registered on the Company's Share register at 2 November 2011 will be entitled to participate in a proposed non renounceable entitlement issue of loyalty Bonus Options on the basis of one (1) loyalty Bonus Option for every two (2) Shares held. The terms and conditions of the loyalty Bonus are on the same terms and conditions as the Attaching Options. The loyalty Bonus Issue will be offered under a prospectus which was filed on 20 October 2011.

Under the terms of the underwriting agreement, the Company issued 375,000,000 options to the underwriter/sub-underwriters on the same terms and conditions as the Attaching Options as part consideration for underwriting the rights issue.



Convertible Note Amendments

On 14 July 2011 the Company announced that it had negotiated a number of amendments to the Convertible Note agreement resulting in the following variations:

- i) The repayment date of the Convertible Notes has been extended by two years from September/October 2011 to September/October 2013;
- ii) The interest rate paid on the outstanding balance of the Convertible Notes has been reduced from 12% to 4% with the remaining 8% capitalised to the balance of the Convertible Notes and payable on maturity;
- iii) The conversion price of the Convertible Notes is now based on a 10% discount to the 20 day volume weighted average price with a minimum conversion price of 0.4 cents.

These amendments were ratified by shareholders on 25 August 2011.

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.