

QUARTERLY ACTIVITY REPORT For the period ending 31 March 2010

The Directors wish to report the following activities for the quarter ended 31 March 2010;

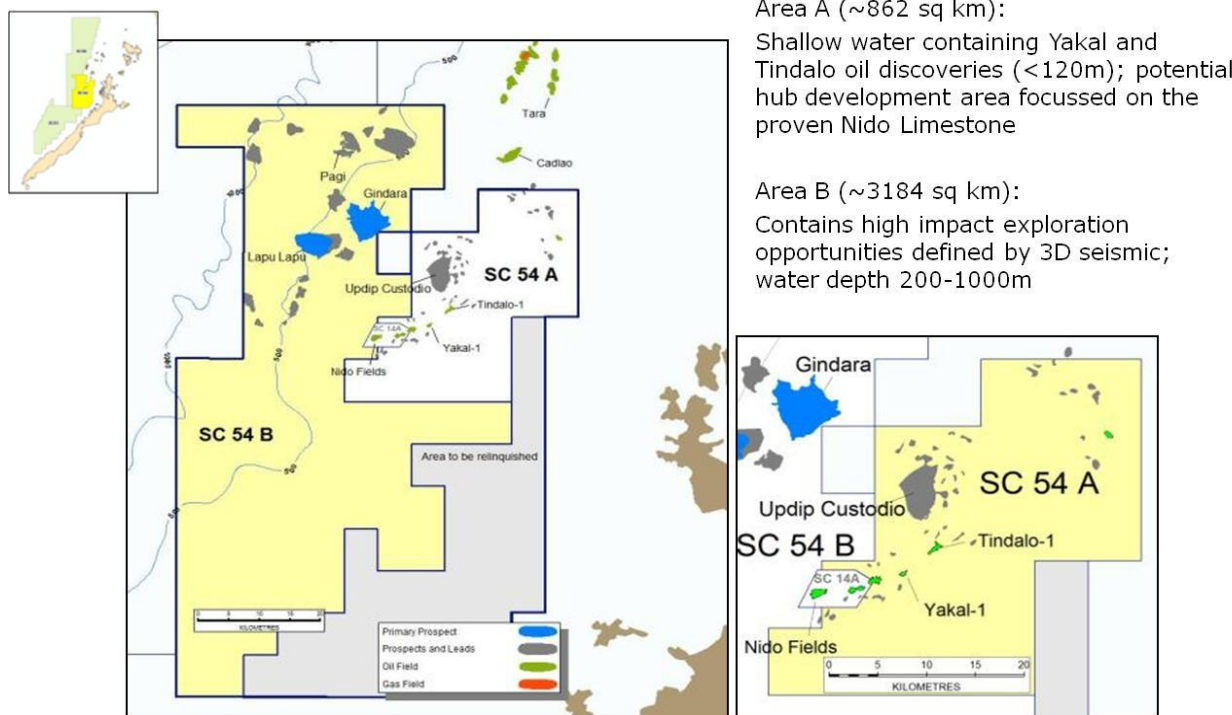
Highlights:

- ❖ **SC 54 Joint Venture progresses Tindalo project with all major contracts in place and targeting first oil in May 2010**
- ❖ **Kairiki farms-down 4.9% interest in SC 54A to TG World Corp to retain a 30.1% interest in SC54A**
- ❖ **Cash On Hand at 31 March 2010 - A\$7.2m**

Oil & Gas Activities

Philippines Offshore Oil and Gas Permit

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



SC 54A

Tindalo Development

During the quarter substantial progress was made in preparations for the Tindalo oilfield development. In particular, the major components of the project were secured with awarding of contracts to:

- Vantage Drilling – Jack-up rig “Aquamarine Driller” that will serve as the oilfield’s production platform;
- Knutsen – “Tove Knutsen” Floating Storage and Offloading vessel (FSO); and
- Weatherford Asia Pacific - Production Processing Equipment.

By the end of the quarter, mobilisation of the rig had commenced to the Tindalo field via Singapore and logistics preparations were well advanced.

Key development highlights:

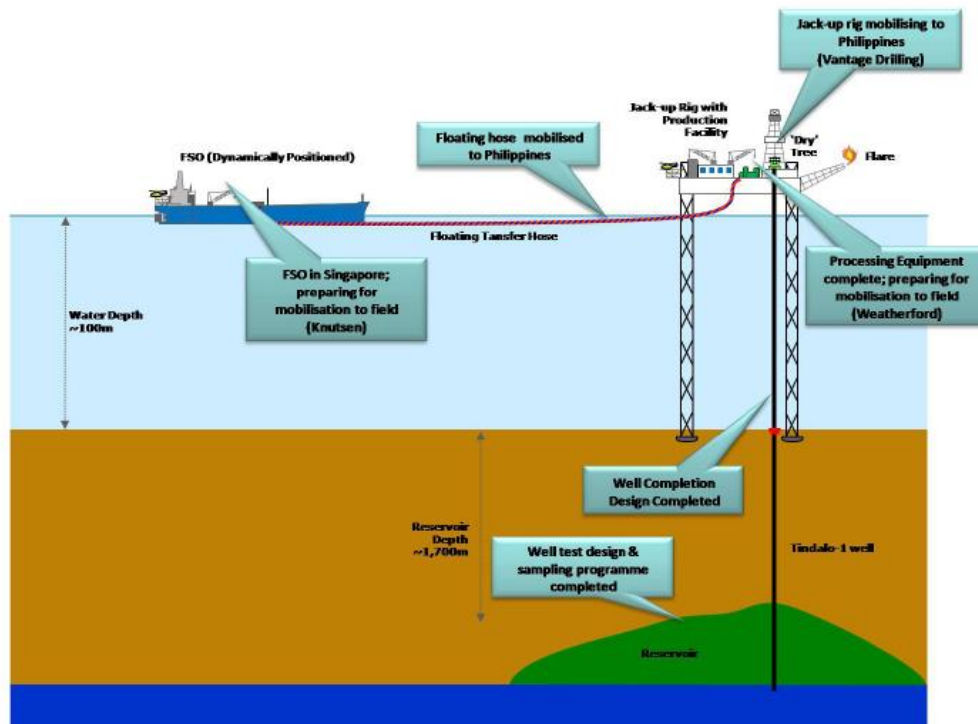
- Tindalo-1 discovery well will be re-entered and completed for production;
- The Tindalo project will utilise the jack-up rig as the production platform;
- Oil storage provided by a dynamically positioned storage vessel (FSO) to develop the field;
- Estimated development cost is approximately US\$20 million;
- Upon production, the operating costs will be approximately US\$250,000 per day; and
- First oil scheduled May 2010 with initial field production rate of 7,000-15,000bopd.

Development Overview

The Tindalo oilfield was discovered by the Tindalo-1 exploration well in October 2008. The well was located in approximately 100 metres of water and targeted a pinnacle reef structure similar to the nearby, producing Nido and Matinloc oil fields and intersected a 124-144+ metre oil column in Miocene carbonate reservoir. The well was plugged and suspended as a possible future producer. Since its discovery, the Joint Venture approved a Final Investment Decision (FID) in December 2009 to develop the field.

The field will be developed using a leased, jack-up rig to re-enter and complete the suspended Tindalo-1 well for production. An electric submersible pump will be installed as part of the well completion to assist in maintaining production rates once water production occurs. The jack-up rig will remain on location to provide a stable weather-tolerant production platform using specially installed production equipment on board. Crude oil from the well will be processed on the rig and then flowed into storage via a floating hose to a leased dynamically positioned, Floating Storage and Off-loading (FSO) vessel nearby.

Tindalo Production System



Studies

During the period, the SC 54A Joint Venture also progressed reprocessing of 140 sq. km of 3D seismic data to pre-stack depth migration in order to quantify the in-place volumes of the nearby Nido-1X discovery, the North Nido Updip prospect and surrounding leads. The reprocessed seismic is scheduled for delivery mid 2010.

SC 54A Farm-out to TG World Corporation

On 11th March 2010, Kairiki announced that its wholly-owned subsidiary Yilgarn Petroleum Philippines Pty Ltd had entered into an agreement with TG World (BVI) Corp. (a subsidiary of TG World Energy Corporation – a Canadian listed junior oil and gas company) to farm-out 4.9% of its 35% interest in SC 54A.

Consideration for the farm-down potentially totals US\$4.38 million (~A\$4.9 million) which comprises an up-front cash payment of US\$2.06 million (~A\$2.2 million) which was received on 19 March 2010, followed by a set of staged payments that fall due at the commencement of production at the Tindalo oilfield and as subsequent crude oil cargoes from the field are lifted. Under the terms of the agreement TG World will also market its net share of the crude oil produced from SC 54A with Trafigura Pte Ltd.



In conjunction with the signing of the farm-out agreement, Joint Venture partner Nido Petroleum Philippines Pty Ltd, a wholly owned subsidiary of Nido Petroleum Limited (ASX: NDO), also advised Kairiki that it had also reached a similar agreement with TG World to farm-out 7.6% of Nido's 50% interest in SC 54A.

The farm-out agreement was subject to Joint Venture and Philippines government approvals which have now been received.

SC 54A Working Interests

Company	Participating 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	12.5%

SC 54B

The SC 54B Joint Venture has continued to engage companies during the period with a view to farming-out the acreage and obtaining a partner to fund the drilling of the Gindara prospect.

As a result of the technical work completed in the third quarter of 2009, the Gindara prospect is now considered substantially de-risked following completion of the PSDM work and revised volumetrics. The prospect represents an outstanding high potential/low risk drilling candidate for the first well in SC 54B.

The work program for sub-phase 5 commenced on 5 February 2010 and is focussed on a subsurface review of the area south of the previous Abukay 3D seismic survey. This work has involved building a seismic database with interpretation of the data planned over the coming months. A 25% relinquishment of the SC54B contract area is also required at the end of this sub-phase on 4 August 2010.

SC 54B Working Interests

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



Corporate Summary

Cash Position

At 31 March 2010, Kairiki had a cash balance of \$7,196,000. The decrease in cash during the quarter of \$4,255,000 was attributable to the following:

- Payment of Interest on Convertible Note of \$0.36 million;
- Exploration and Development Costs on SC54 of \$5.7 million;
- General and administrative costs of \$0.40 million.

Offset by:

Net proceeds from farm-out of 4.9% interest in SC54A to Trafigura of \$2.2 million.

Convertible Note

At 31 March 2010, the amount due on the Convertible Note was A\$10.37m (US\$9.53m). Pursuant to the farm-out of a 4.9% interest in SC54A to TG World, the Company negotiated an amendment to the Convertible Note held by IMC Oil and Gas Investments Pty Ltd whereby the Company will repay the Convertible Note in full within the first year of production from Tindalo.

Change in Substantial Shareholders

On 28 January 2010, AMP advised that they were no longer a substantial shareholder of the Company.

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 Mr L Brown, the Company's Executive Director, in consultation with the operator of the respective Joint Venture, where appropriate. Mr Brown is qualified with a joint degree with Bachelor of Science (Honours) in Geology and Geophysics from Durham University in the United Kingdom and more than 25 years of relevant experience.