



QUARTERLY ACTIVITY REPORT For the period ending 31 December 2009

The Directors wish to report the following activities for the quarter ended 31 December 2009;

Highlights:

- ❖ **New Managing Director Appointed**
 - ❖ **Kairiki farms-down 5% interest in SC 54A to Trafigura**
 - ❖ **SC 54 Joint Venture approves FID 4Q 2009 with target first oil – 2nd quarter 2010**
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Managing Director Appointment

Effective 1 December 2009, Kairiki announced the appointment of Dr Mark Fenton as Kairiki's new Managing Director. Dr Fenton has extensive experience in the oil and gas industry with over 24 years in operating oil and gas companies, including several years in executive management roles with extensive experience in both offshore and onshore oil field developments particularly in SE Asia and the Middle East.

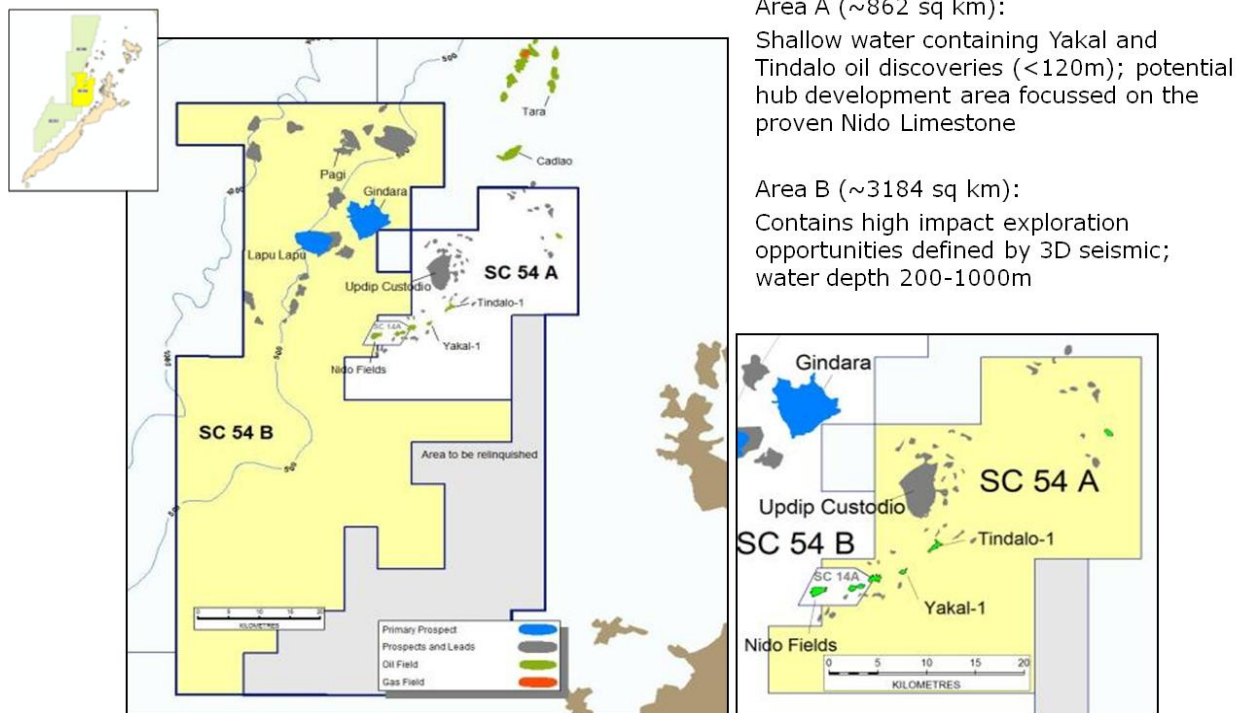
Mark has held a range of technical, management and executive positions with international and Australian oil and gas majors as well as smaller ASX-listed oil companies during his career. Dr Fenton has a PHD in Geology and also a Bachelor of Science (Honours) in Geology from the University of Melbourne. Mark brings strong executive leadership and commercial experience as well as a wealth of international technical and operating skills in project development, exploration and project acquisition.

Pursuant to this appointment, Mr Laurie Brown, the current Managing Director, will remain as an Executive Director of Kairiki.

Oil & Gas Activities

Philippines Offshore Oil and Gas Permit

- SC 54A - 35% Participating Interest
- SC 54B - 40% Participating Interest



SC 54A

Tindalo Development

On the 11th December 2009 the SC 54A Joint Venture partners provided their Final Investment Decision (FID) approval for the development of the Tindalo oilfield.

Key development highlights:

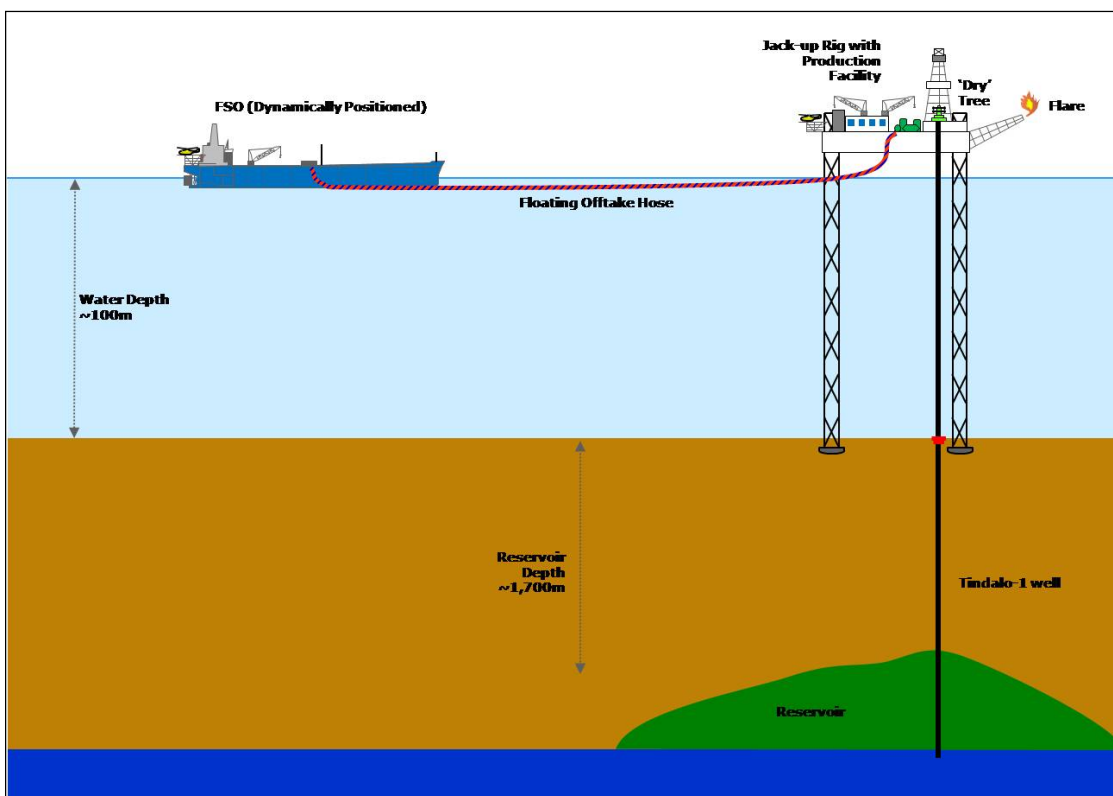
- Tindalo-1 discovery well will be re-entered and completed for production;
- The Tindalo project will utilise a jack-up rig and a dynamically positioned storage vessel (FSO) to develop the field;
- All major approvals for the project from the Philippine government received;
- Estimated development cost is approximately US\$20 million;
- Upon production, the operating costs will be approximately US\$250,000 per day;
- First oil scheduled 2Q 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 has been evaluating the field's recoverable volumes, the development alternatives and how to accelerate development to bring production on in the near term.

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 throughout the life of the field. 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-take (FSO) vessel nearby.

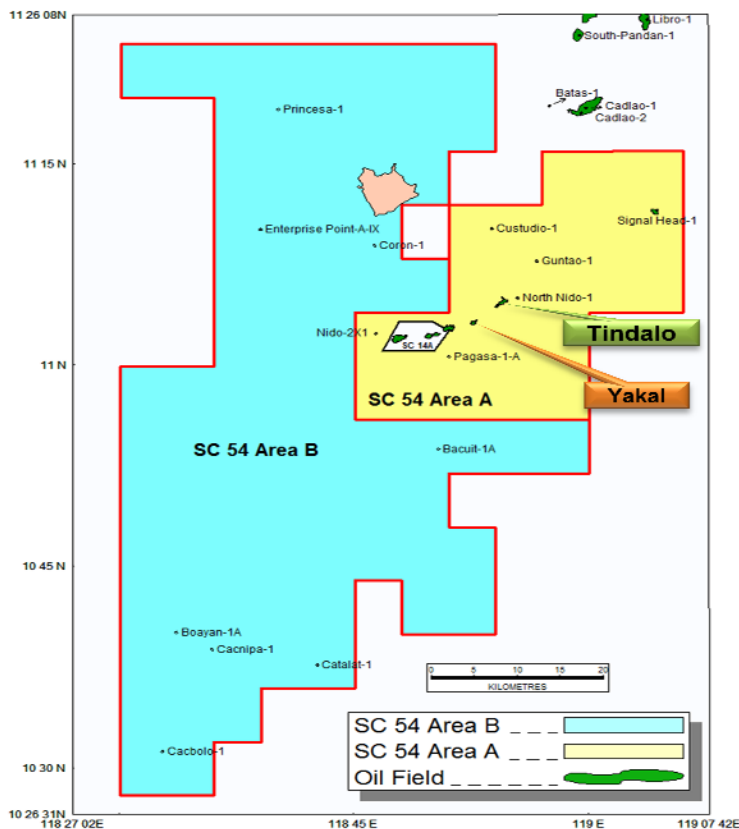
Tindalo Production System



Drilling Rig Contracted

On 24 December 2009, the SC 54A Joint Venture contracted the jack-up drilling rig 'Aquamarine Driller' for the Tindalo development from Vantage Drilling. In addition, Letters of Intent were issued to the preferred contractors for the provision of the Floating Storage and Offloading (FSO) vessel and for the production equipment to be used for processing the oil at Tindalo.

SC 54A Location Map



Studies

SC 54A studies consist of mapping and reservoir simulation of the Yakal discovery. During the period, the SC 54A Joint Venture agreed to reprocess 140 sq. km of TQ3D 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.



SC 54A Farm-out to Trafigura

On 22 October, Kairiki announced that it had entered into a conditional farm-out agreement with a subsidiary of Trafigura Pte Ltd (Trafigura) to farm-out 5% of its current 40% interest in SC 54A. Kairiki received net cash proceeds of US\$3.6 million (~A\$3.9 million), after which Trafigura is responsible for its participating interest share of the development costs of the Tindalo oil field project. Under the terms of a separate crude oil marketing agreement, Trafigura's affiliate, Trafigura Pte Ltd, will market Kairiki's net share of the crude oil produced from SC 54A.

Kairiki's Joint Venture partner, Nido Petroleum Philippines Pty Limited (Nido), also advised Kairiki that it reached a similar agreement with Trafigura to farm-out 10% of Nido's working interest in SC 54A on similar terms and conditions.

The farm-out agreement became unconditional on December 1st 2009 on receipt of Philippine government approvals.

SC 54A Working Interests

| Company | Working Interest |
|--|------------------|
| Nido Petroleum Philippines Pty Ltd (Nido) - Operator | 50% |
| Yilgarn Petroleum Philippines Pty Ltd, a wholly owned subsidiary of Kairiki Energy Limited (ASX: KIK) | 35% |
| Trafigura Ventures III BV (Trafigura) | 15%* |

* All conditions were met to complete the farm-in

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.

SC 54B Working Interests

| Company | Working Interest |
|--|------------------|
| Nido Petroleum Philippines Pty Ltd (Nido) - Operator | 60% |
| Yilgarn Petroleum Philippines Pty Ltd, a wholly owned subsidiary of Kairiki Energy Limited (ASX: KIK) | 40% |



Mineral Tenements

In the December 2009 quarter, Kairiki executed formal agreements to farm-out its minerals tenements to third parties as announced in the March 2009 quarter. The third parties will earn a 90% interest in the mineral tenements by funding 100% of the cost of all the exploration work required to maintain the tenements in good standing with the Department of Mines and Petroleum.

Kairiki will receive as consideration the following:

- 10% of the net proceeds on certain tenements up to a sum of A\$250,000 and a 1% net smelter royalty thereafter; and
- for the remaining tenements, 10% of the net revenue after 5,000 ounces of gold has been produced.

Corporate Summary

Annual General Meeting

Kairiki held its Annual General Meeting on 26 November 2008 and the result of the resolutions were as follows;

| | |
|--|--------|
| 1. Adoption of Remuneration Report | Passed |
| 2. Re-Election of Director - Mr P Fry | Passed |
| 3. Issue of Incentive Options to Ms Jyn Sim Baker or nominee | Passed |
| 4. Ratification of Placement – 29 June 2009 | Passed |
| 5. Ratification of Placement – 20 May 2009 | Passed |

Cash Position

At 31 December 2009, Kairiki had a cash balance of \$11.45m. There was a net increase in cash during the quarter of \$2.99m attributable to the following:

- Net proceeds from sale of 5% interest in SC 54A to Trafigura of \$3.9m (US\$3.6m);
- Payment of Interest on Convertible Note of \$0.33 million;
- Development Costs of \$0.20 million;
- General and administrative costs of \$0.37 million.



Change in Substantial Shareholders

During the quarter, the only change in substantial shareholders was AMP reduced their holding from 27.85m shares to 27.4m shares.

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 Managing 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.