



QUARTERLY ACTIVITY REPORT For the period ending 31 March 2011

The Directors wish to report the following activities for the quarter ended 31 March 2011;

Highlights:

- ❖ **SC 54B highlights**
 - Shell Deepwater Rig “Atwood Falcon” contracted to drill Gindara-1;
 - Successful contracting of rig indicates drilling will commence, as planned in May 2011.

 - ❖ Abandonment, demobilization and final sale of the crude inventory from the Tindalo project was completed during the quarter.

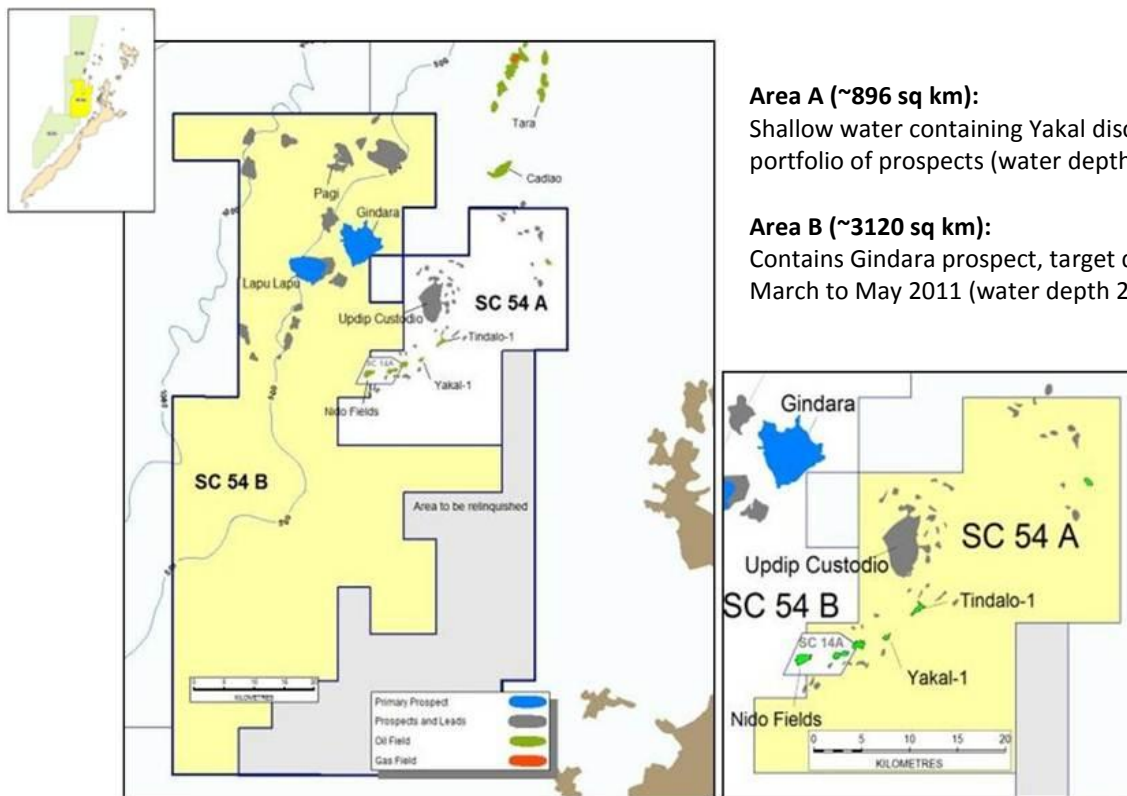
 - ❖ Completion of Placement and Rights Issue raising \$12,378,920 (before issue costs).

 - ❖ Mr. Duncan Maclean appointed to the Board as non-executive director.
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Oil & Gas Activities

Philippines Offshore Oil and Gas Permit

- SC 54A - 30.1% Participating Interest
- SC 54B - 22% Participating Interest



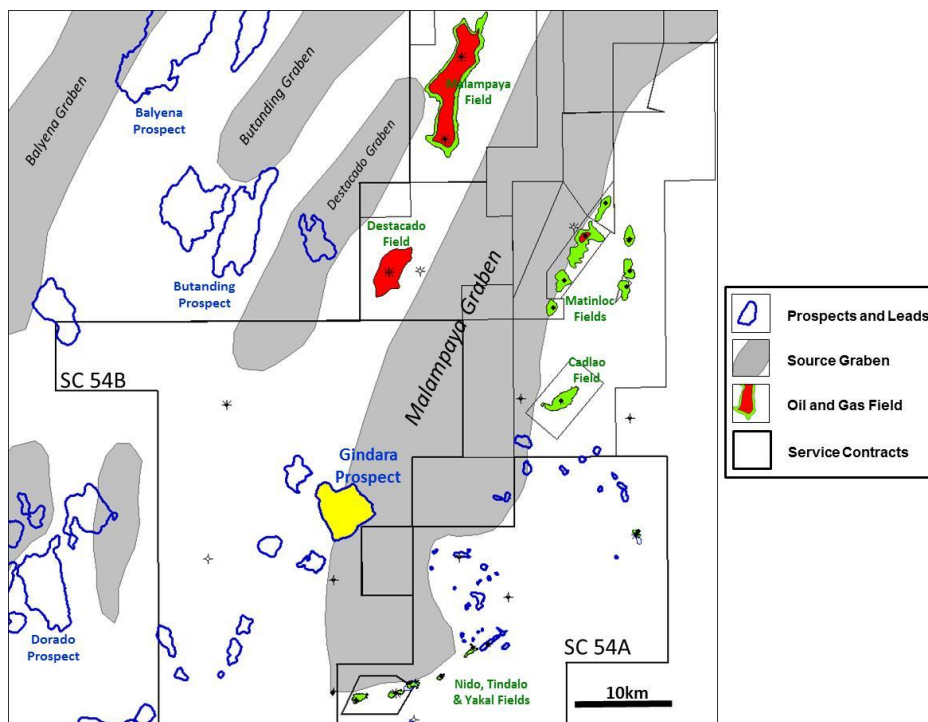
Area A (~896 sq km):

Shallow water containing Yakal discovery and portfolio of prospects (water depth < 120m).

Area B (~3120 sq km):

Contains Gindara prospect, target drilling in March to May 2011 (water depth 200-1000m).

SC 54B



On 31 January 2011 the Company announced that it successfully completed an agreement with Shell Philippines Exploration B.V. ("Shell"), a subsidiary of the Royal Dutch Shell Group, to farm-out 18% out of its current 40% participating interest in SC 54B.

To earn its participating interest, Shell will undertake the following:


- Contribute 75% of the Gindara-1 exploration well cost up to a maximum well cost of US\$24 million;
- Pay US\$2.5 million towards past seismic costs; and
- Pay its pro-rata share of the 2010 and 2011 Work Programme and Budget from the date of signing.

The deepwater Atwood Falcon semi-submersible rig was contracted during March 2011 for the drilling of the Gindara-1 well. The rig, which is currently working offshore Sabah, is expected to arrive at the Gindara-1 location in mid-May.

Planning for the Gindara-1 exploration well continued in earnest throughout the quarter. The focus of this work has been to complete HSSE documentation, logistics, detailed well planning and obtain relevant government approvals to drill the well. The majority of third party contracting has been completed and a workboat for the rig has also been contracted. A Drill-on-Paper exercise with all third party contractors was held in Singapore in February 2011.

Interpretation of the 2D data in the southern portion of the permit has also continued during the quarter. This work, which is based on vintage 2D seismic, has identified a number of potential leads at top Nido limestone stratigraphic level which will be further matured in the coming months.

ATWOOD FALCON



LOCATED IN MALAYSIA, THE ATWOOD FALCON CAN OPERATE AT WATER DEPTHS OF UP TO 5,000 FEET AND DRILL TO DEPTHS OF APPROXIMATELY 25,000 FEET. IT WAS REFURBISHED/UPGRADED IN 1998 AND 2006.



CHARACTERISTICS

Type Of Vessel	Semisubmersible
Rig Design	Upgraded Koskut New Era
Water Depth	5,000 ft.
Drilling Depth	25,000 ft.
Year of Construction	1983
Year of Upgrade	1998/2006
Variable Load	4,400 ST
Drilling Draft	55 ft.
Operating Displacement	28,905

PRINCIPAL DIMENSIONS

Length	325 ft.
Beam	226 ft.
Hulls	2
Beam	48 ft.
Depth	25 ft.
Baseline to Main Deck	95 ft.
Baseline to Pipe Rack	108 ft.
Baseline to Drill Floor	128.25 ft.

CAPACITIES

Liquid Mud	5,346 bbls.
Brine	1,668 bbls.
Base Oil	1,792 bbls.
Fuel	6,108 bbls.
Bulk Material	10,000 cu. ft.
Sack Storage	5,120 sacks
Drill Water	23,060 bbls.
Potable Water	1,621 bbls.
Accommodations	122 persons

AtwoodOceanics

SC 54B Current Working Interests

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



SC 54A – Tindalo Development

Production and Crude Oil Lifting

	Quarterly Result		Project to Date	
	Joint Venture	Kairiki's Share 30.1%	Joint Venture	Kairiki's Share 30.1%
Inventory balance at beginning of quarter/project	73,420	22,099	-	-
Production for the period	-	-	267,756	80,595
Lifting during the period	73,420	22,099	(267,756)	(80,595)
Inventory balance at the end of the quarter	-	-	-	-

Having made the decision to abandon Tindalo at the end of December 2010 and demobilise all of the production equipment in early January the Joint Venture's crude marketer arranged a direct sale and delivery of the remaining oil inventory to a Singapore buyer in February 2011.

Abandonment and Demobilisation

Having made the decision to abandon Tindalo in late December 2010 after the well was considered uneconomic due to increasing water-cuts and declining oil production rates, the Joint Venture partners decided to demobilise the project equipment (including the Aquamarine Driller and Tove Knutsen) from the Service Contract. All contracts associated with the Tindalo Project were completed during the March 2011 quarter.

Other

Finalisation of pre-stack depth migration processing and mapping over an area of 140sq.km within the central portion of the contract area has progressed during the period and results will form part of any future activity planned for the area.

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%



Corporate Summary

Cash Position

At 31 March 2011, Kairiki had a cash balance of \$4,650,000. The increase in cash during the quarter of \$1,770,000 was attributable to the following:

- Proceeds from oil sales of \$1.79 million; and
- Net proceeds from the rights issue of \$11.49 million.

Offset by:

- Tindalo development and demobilisation costs of \$8.19 million;
- Exploration costs of \$0.32 million;
- Payment of interest on the Convertible Note of \$0.40 million;
- Repayment of Convertible Notes of \$1.98 million;
- General and administrative costs, net of interest received, of \$0.44 million; and
- Exchange losses of \$0.14 million.

Placement and Underwritten Rights Issue – Announced 25 January 2011

On 25 January 2011 the Company announced that it had reached agreement on a two part capital raising, involving a placement and rights issue. The Placement was arranged and the Rights Issue was underwritten by Lead Manager, Patersons Securities Limited.

The placement for 116,000,000 shares at a price of 3 cents per share, to raise \$3,480,000 (**Placement**) was completed on 31 January 2011. Those who participated in the Placement were eligible to participate in the Rights Issue.

The Company offered the same price to its shareholders under a rights issue which was completed on 21 March 2011. The rights issue, which was underwritten, was for one (1) new share for every three (3) shares held with a total of 296,630,666 shares being issued, raising \$8,898,920 (**Rights Issue**). The Rights Issue was renounceable.

For every two shares subscribed for in the Rights Issue, the applicant received 1 “piggy back” option. The primary option is exercisable at 4¢ during August 2011 and will expire on 31 August 2011. The primary option is exercisable into one share and a secondary option which is exercisable at 5¢ and expires on 31 August 2013.

The “piggy back” option is a new class of option and is now listed on the ASX. The “piggy back” option was designed to provide Kairiki capacity to secure sufficient capital to repay the balance of the Convertible Note which is currently due in September/October 2011.



In addition, and following shareholder approval, the Company issued 156.9m options (**Commitment Options**) on the same terms and conditions as the Rights Issue piggy back options to investors participating in the Placement and to the Underwriters of the Rights Issue.

The total amount raised by the Placement and Rights Issue was \$12,378,920 (before issue costs).

The funds raised are being applied towards the ongoing participation of the Company's interest in the Philippines Offshore Exploration Service Contract SC 54A and SC 54B, repayment of US\$2m of the Convertible Note, costs of the Offer and for providing additional working capital.

Board Changes

On 31 March 2011, Mr Duncan Maclean was appointed to the Board of Kairiki and as a result Mr Neville Bassett stepped down as a director. Mr Bassett will continue as Kairiki's Company Secretary.

Mr Maclean specialises in resources and energy related matters and advises on major acquisitions, divestments, joint venture arrangements and project structuring. Mr Maclean has a Masters of Commercial Law (Energy & Resources) and a Bachelor of Laws. He is also a member of the Australian Institute of Company Directors (AICD), the Australian Mineral and Petroleum Lawyers Association (AMPLA) and the Association of International Petroleum Negotiators (AIPN).

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.