

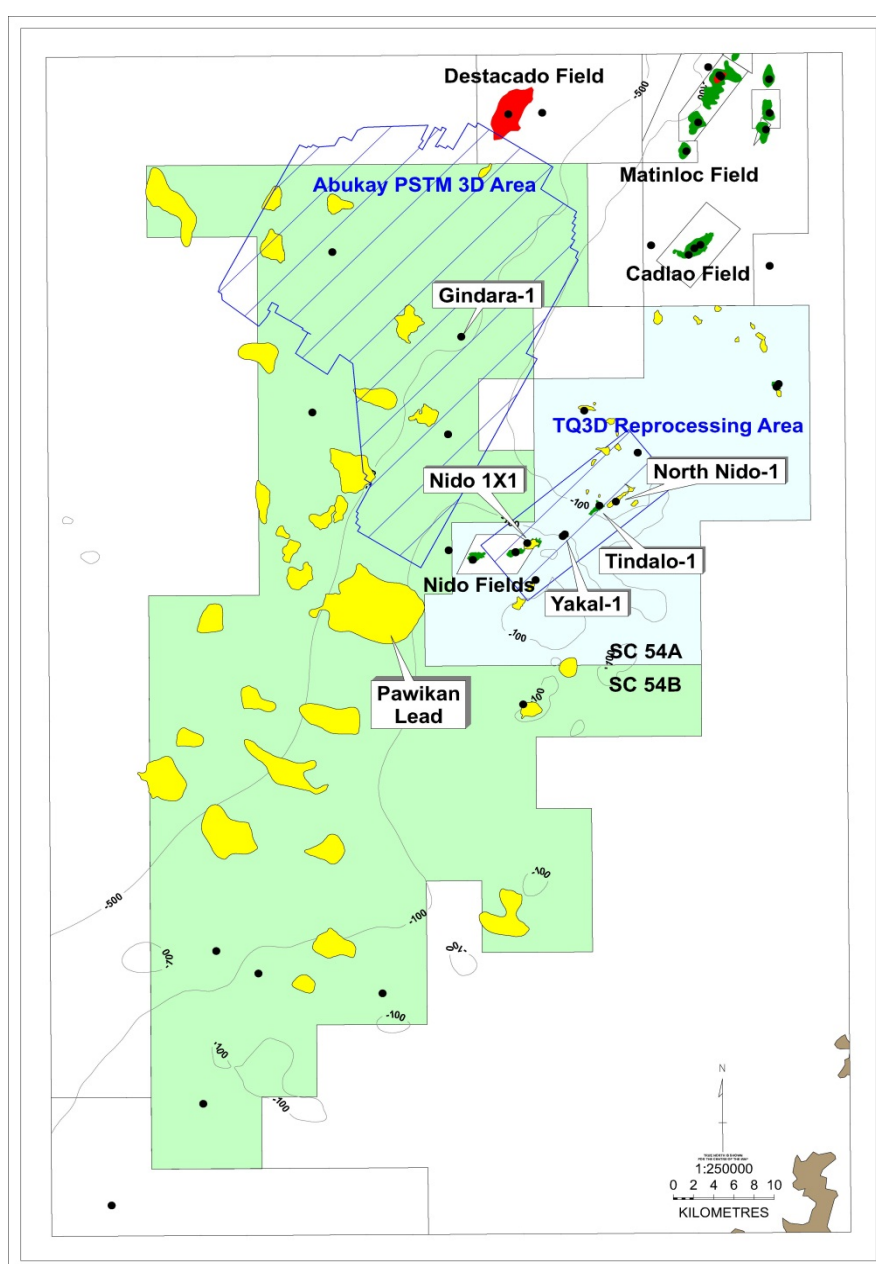
QUARTERLY ACTIVITY REPORT For the period ending 31 December 2013

The Directors wish to report the following activities for the quarter ended 31 December 2013:

Oil & Gas Activities

Philippines Offshore Oil and Gas Permit

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



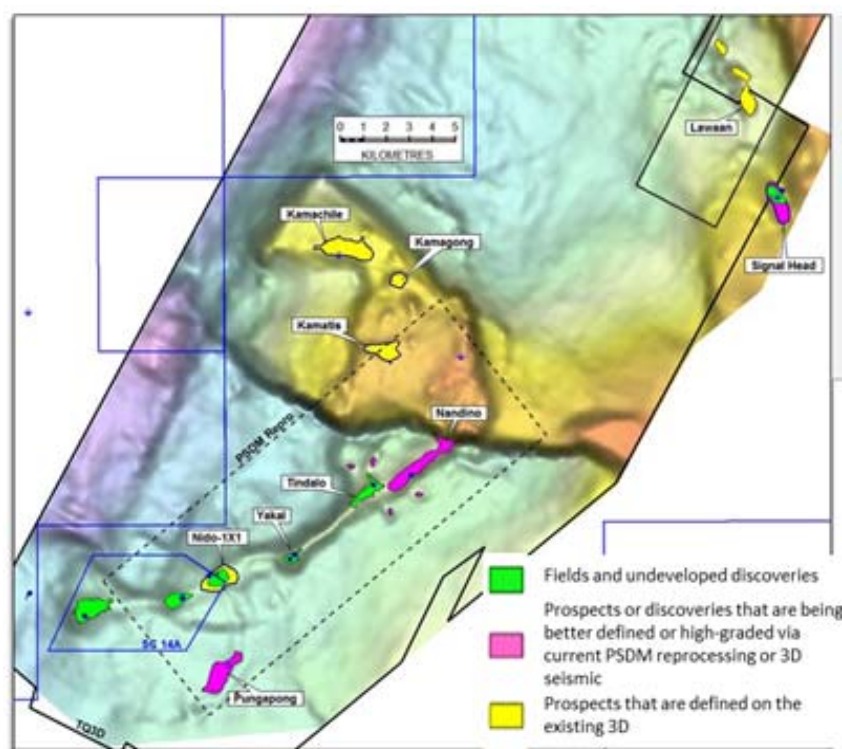
Location map – Blocks SC 54A & SC 54B

SC 54A

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

The Joint Venture had previously received approval from the Department of Energy for an extension of Sub-phase 6 for a further 12 months with Sub-phase 6 now expiring on 4 August 2014.

The well commitment associated with Sub-phase 6 has been met by the drilling of Gindara-1.



Location Map and Portfolio Inventory – SC 54A

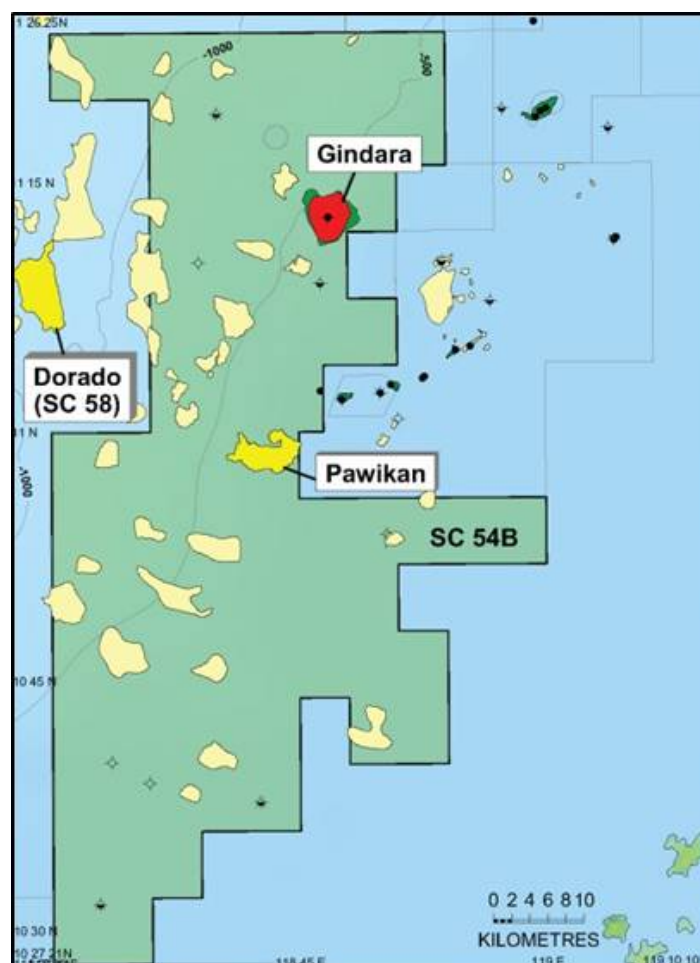
SC 54A Working Interests

Company	Working Interest
Nido Petroleum Philippines Pty Ltd (Nido) – Operator	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 54B

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

There is no firm commitment related to Block B of this Service Contract in either the current Sub-phase 6 or in Sub-phase 7 if the Company elects to enter the next Sub-phase.



SC 54B Working Interests

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



Corporate Summary

New Ventures

During the quarter, the Company reviewed a number of project opportunities, however, none were considered appropriate for the Company. The Company continues to pursue new projects in an effort to recapitalise and reinvigorate the asset portfolio of the Company.

Convertible Note Conversion

On 12 November 2013 shareholders approved the issue of 174,454,400 fully paid ordinary shares to IMC Oil & Gas Investments Limited ("IMC"), thereby extinguishing US\$8,089,250 in secured convertible note debt.

Facility Agreement

During the quarter, the Company entered into a drawdown facility agreement with IMC for an amount of \$488,000. At 31 December 2013, \$240,000 had been drawn down under the facility.

Yours faithfully

N J Bassett

Company Secretary

For more information on the Company visit www.kairikienergy.com