



25 January 2011

ASX Limited
Company Announcements Office
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Placement and Underwritten Rights Issue

Kairiki advises that it has also reached agreement on a two part capital raising, involving a placement and rights issue.

The Placement has been arranged and Rights Issue is to be underwritten by Lead Manager, Patersons Securities Limited, a leading full service stock broking firm in Australia. The Company has executed a mandate letter and is presently finalising an Underwriting Agreement.

The placement is for 116,000,000 shares at a price of 3 cents per share, to raise \$3,480,000 (**Placement**) and utilised the Company's full 15% placement capacity. The Placement was accepted by selected institutional and sophisticated investors which the company believes will provide a strengthened shareholder base supportive of the Company's growth and development. Those who participate in the Placement will be eligible to participate in the Rights Issue.

In recognition of the Company's existing shareholders, the Company will extend the same price to its shareholders under a rights issue. The rights issue, which is to be underwritten, is for one (1) new share for every three (3) shares held with a total of approximately 296,630,666 shares to be issued, raising \$8,898,920 (**Rights Issue**). The Rights Issue is renounceable meaning you may sell your rights through trading on the Australian Securities Exchange.

For every two shares subscribed for in the Rights Issue, the applicant will receive 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 option terms will require approval by the ASX.

The "piggy back" option is a new class of option and application will be made for them to be listed on the ASX. The "piggy back" option has been designed to provide a capacity for Kairiki to secure sufficient capital to repay the balance of the Convertible Note which is currently due in September/October 2011

In addition, and subject to shareholder approval, the Company has agreed to issue 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.

Capital Structure

| | |
|------------------|-----------|
| Shares | 773.892 m |
| Unlisted Options | .500 m |
| Total: | 773.392m |

| | |
|-------------------|----------|
| Convertible Notes | 70.073 m |
|-------------------|----------|

Board of Directors

| | |
|----------------|-------------------|
| Paul Fry | Non Exec Chairman |
| Mark Fenton | Managing Director |
| Neville Basset | Non Exec Director |

Assets

Philippines:

- SC 54A - KIK: 30.1%
- SC 54B - KIK: 40%

Current Status:

- Gindara prospect drill ready;
- Subject to completion of Shell Philippines Exploration B.V to reduce interest to 22%.

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

The funds raised will be applied towards the ongoing participation of the Company's interest in the Philippines Offshore Exploration Service Contract SC54A and SC54B, repayment of US\$2m of the Convertible Note, costs of the Offer and for additional working capital.

The completion of the Placement and the Rights issue is subject to the completion of the Shell farm-in into SC54B. All the conditions precedent for the Shell farm-in to SC54B have been satisfied other than the approval of the Philippine regulatory authorities which is expected shortly.

Details of the Rights Issue and How to Participate

Eligible shareholders will receive a copy of the Rights Issue offer document and accompanying Entitlement and Acceptance Application Form setting out the relevant details in relation to shareholder entitlement and costs for full participation in the Rights Issue.

Eligible shareholders may participate in the Rights Issue either in full or by accepting part of their entitlement.

Eligible shareholders may also sell their rights, either in full or partially, on the Australian Securities Exchange. The price of the rights will be determined by the market. The period of time for trading of shareholder rights is subject to a time limit as set out in the Rights Issue offer document.

In accordance with the terms of convertible notes and options on issue, noteholders and optionholders are not entitled to participate in the Rights Issue without first converting their notes or exercising their options, as applicable, to be registered as a shareholder on the record date for determining entitlements.

SC54B Update

The Company has made good progress on satisfying all of the conditions precedent relating to the Shell farm-in transaction. We look forward to updating the market when the Shell farm-in transaction is completed.

SC54A Update

As previously reported on 29th December 2010, the SC54A Joint Venture decided to abandon the Tindalo well as the well was considered uneconomic due to increasing water-cuts and declining oil production rates. The Joint Venture has subsequently plugged and abandoned the well with the rig and associated production and other equipment decommissioned and demobilised. The Joint Venture decided to not pursue Yakal at this time until a thorough review of the Tindalo project incorporating the sub-surface, technical and operational aspects of the project have taken place prior to considering any further developments activities in SC54A.

As a result of the abandonment of the Tindalo well, the net costs associated with Kairiki's share of the project from inception of approximately US\$30 million will be written off at 31 December 2010.



This announcement effects the end of the Company's trading halt.

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Kairiki Energy Corporate Profile

Kairiki Energy is an Australian based junior international oil and gas exploration and production company focussed on the Philippines. Kairiki holds a 30.1% interest in Service Contract 54A and a 40% interest in Service Contract 54B, subject to a farm-out of 18% to Shell..

SC 54A measures 862 km² and contains the Tindalo, Yakal, Nido 1X1 and Signal Head oil discoveries and a substantial portfolio of similar low-risk reefal prospects. The SC 54A Joint Venture is currently undertaking a review of the Tindalo project results prior to pursuing any further developments in the SC 54A permit.

SC 54B measures 3184 km² and contains the Gindara prospect which has a mean unrisked oil in place volume estimated by the Operator, of 634 million barrels. The Gindara prospect is a very large simple four-way closure at the Top Nido Limestone reservoir objective with an areal extent of 28 km², a vertical closure of over 300m and is well located to receive hydrocarbon charge from the Palawan Trough.