



29 August 2008

ASX Limited  
Company Announcements Office  
20 Bridge Street  
SYDNEY NSW 2000

### **Kairiki Raises US\$10 million to Fund SC 54 Program**

The Directors of Kairiki Energy Limited (“Kairiki”) wish to advise they have reached an in-principle agreement to issue Convertible Notes to raise US\$10,000,000 from the IMC Group (“IMC”) to help fund its upcoming SC 54 two well drilling program. IMC currently holds a 5.48% interest in Kairiki. The directors are pleased that IMC have agreed to take up these Convertible Notes as a sign of their continued support of Kairiki.

IMC is a leading Asia-focused diversified group with business interests in industrial supply chain solutions, maritime shipping, logistics, oil and gas assets and services, lifestyle/real estate and fund management. IMC is committed to providing innovative and customized industrial and lifestyle solutions through its strategic investments and network in Asia. IMC’s involvement in the oil and gas industry covers investments in two oil and gas exploration and production companies, an offshore Engineering, Procurement, Construction and Installation joint venture in Thailand, an offshore engineering and design company in Singapore, FPSO operations in West Australia and offshore logistics assets such as tugs, crew boats and floating accommodation. Headquartered in Singapore, IMC employs more than 6,800 people representing 18 nationalities in 15 countries. For more information, please visit [www.imcgroup.info](http://www.imcgroup.info).

The Directors are also pleased to advise that Kairiki and IMC have agreed to enter into an exploration and field development alliance agreement (“KIK/IMC Alliance Agreement”), on principles to be mutually agreed.

The proposed principle terms and conditions of the Convertible Notes are as follows:

- (i) Repayment Date: 3 years from initial drawdown under the Notes facility;
- (ii) Convertible into ordinary fully paid shares at an issue price determined as the lesser of:
  - (a) A\$0.185; and
  - (b) the closing price of the ordinary shares on ASX on the conversion date, provided that, if this price is lower than A\$0.16, the conversion price will be A\$0.16;
- (iii) Shares issued upon conversion of the Notes, or part thereof, will carry standard rights applicable to quoted ordinary shares in the Company and will, from the date of issue, rank equally with fully paid ordinary shares currently on issue;
- (iv) A Noteholder may convert at any time prior to the Repayment Date, subject to a limit of 3 conversions with each conversion being in respect of a number of Notes which are convertible into at least 10 million shares;

- (v) Repayment Rights: The parties will have rights of repayment as follows:
  - (a) Kairiki shall have the right up to 31 January 2009 to give notice to repay up to 50% of the outstanding amount in respect of the Notes;
  - (b) A relevant Noteholder shall have the right, during the period 1 January to 15 January each year, to require the Company to use all or a specified part of any cash balance held in a special repayment account, established for receipt of future net revenues and option conversion monies, to repay a portion of the outstanding amount in respect of the Notes; and
  - (c) A relevant Noteholder has the right to full repayment of the outstanding amount in respect of the Notes on the occurrence or non-fulfilment of specified events or conditions before 31 January 2009. In the event that Kairiki and IMC fail to enter into the KIK/IMC Alliance Agreement by 1 December 2008 or the non-fulfilment of other specified conditions by 31 January 2009 through wilful breach, Kairiki will be liable to pay a break fee of US\$1 million;
- (vi) Interest Rate: 12% per annum;
- (vii) Security: Fixed and floating charges over all of the assets of the company and its subsidiary Yilgarn Petroleum Philippines Pty Ltd but excluding certain property;
- (viii) The Notes shall not provide for any voting rights at shareholder meetings of Kairiki;
- (ix) Unless converted or redeemed during the term, the Notes will be redeemed at the Repayment Date at the face value of the Notes;
- (x) Drawdown under the Convertible Note Deed will be conditional on, inter alia, IMC having the right to:
  - (a) appoint a representative to the Board of the Kairiki;
  - (b) an option to participate at up to 20% in the shallow water SC 54 project by reimbursing the Company on a proportionate basis for its past costs at the time the option is exercised. This option must be exercised by 31 March 2009; and
  - (c) an option after 1 January 2009 to farm-in at up to 20% to the outboard portion of SC 54 under commercial terms yet to be agreed. This option must be exercised no later than 30 March 2009 or 6 months before spud of an outboard well.

The Notes will be accessed in two tranches by the company. The first tranche of US\$8.5 million will be placed under the company's 15% capacity under ASX Listing Rule 7.1. The remaining US\$1.5 million will be subject to shareholder approval, scheduled for early October 2008. The issue of the Notes will proceed under formal legal documentation.

For further information please contact:

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