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Australian Securities Exchange Limited
Company Announcements Office
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20 Bridge Street
SYDNEY NSW 2000

Kairiki Secures Farm-Out to Trafigura for SC 54A

- **Agreement to farm-out 5% of Kairiki's 40% interest in SC 54A (which includes the Tindalo development and Yakal discovery) to Trafigura**
- **Kairiki to retain a 35% participating interest in this highly prospective offshore block, located in the Palawan Basin in the Philippines. Kairiki retains 40% interest in SC 54B**
- **Consideration is US\$3.8 million (~A\$4.2 million) in cash**
- **Trafigura to market Tindalo crude oil on Kairiki's behalf**
- **SC 54A Joint Venture is seeking to commence first oil in early 2010 targeting 10,000 – 15,000 bbl/d production**
- **Key funding element for the Tindalo development**

Kairiki Energy Limited (ASX: KIK) has achieved a significant milestone in the development of the Tindalo project after its wholly-owned subsidiary Yilgarn Petroleum Philippines Pty Ltd entered into an agreement with Trafigura Ventures III BV (Trafigura) to farm-out 5% of its current 40% interest in the highly prospective Service Contract 54 Block A (SC 54A). Kairiki's Joint Venture partner, Nido Petroleum Philippines Pty Limited (Nido), has also advised Kairiki that it has 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 with Trafigura enables the Joint Venture to progress towards development of the Tindalo oil discovery followed by other targets within SC 54A, which contains significant additional contingent and prospective resources.

Company Highlights

- ASX listed oil and gas company with high impact Philippines project in proven oil basin
- Pursuing options to rapidly commercialise Philippines discoveries targeting first oil in 2010
- Ongoing farm-out activities in the Philippines being undertaken
- Quality board and management team



Consideration is a cash payment of US\$3.8 million (~A\$4.2 million) after which Trafigura will be responsible for its participating interest share of the development costs of the Tindalo oil field project. Nido, the operator, is currently finalising arrangements for the rig and FSO and preparing for final investment decision approvals for the 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 Managing Director, Mr Lawrence Brown said, "I am extremely pleased to welcome Trafigura into the SC 54A Joint Venture, they are a world renowned oil marketing company who bring a wealth of oil industry experience which is complementary to the Joint Venture. Trafigura recognise SC 54A, which contains the Tindalo and Yakal oil discoveries, as a highly attractive opportunity and one which also has the potential to host significant additional oil resources."

Trafigura's Crude Trading Manager, Mr Richard King, said, "Trafigura was attracted to SC 54A as it presented an opportunity to participate in a rapid, low cost oil field development with the prospective for multiple follow-on projects in the near future, each of which has the potential for a high cash flow profile and rate of return. It also allows Trafigura to add significant value to the Joint Venture through its specialist expertise in 'downstream' areas of the industry."

The farm out agreement is subject to final legal due diligence, Philippine government approvals and receipt of a release of the charge held by the Convertible Note Holder (IMC Group) over the 5% interest to be sold by Kairiki. Upon satisfaction of these conditions (and assuming that the corresponding Nido agreements are also concluded) the participating interests in SC 54A will be:

Participant	Previous Participating Interest	New Participating Interest
Kairiki Energy Limited (ASX: KIK) (through its wholly owned subsidiary Yilgarn Petroleum Philippines Pty Ltd)	40.0%	35.0%
Nido Petroleum Philippines Pty Ltd (Nido) - <i>Operator</i>	60.0%	50.0%
Trafigura Ventures III BV (Trafigura)	0.0%	15.0%

In the event that Philippine government approval is not forthcoming by 30 March 2011, Trafigura has the right to terminate and be repaid the consideration amount and any cash calls less any revenue they have received from SC 54A.

The Joint Venture is currently finalising the major contracts and funding plan, of which this farm-out is a key component, in order to proceed to the final investment decision for the Tindalo project in the short term.

Lawrence Brown
Managing Director



About Trafigura

Trafigura is one of the largest independent companies trading commodities today.

Key facts are:

- Turnover of US\$ 73 billion in 2008
- 1,900 employees in 60 offices in 42 countries worldwide
- In excess of US\$1.3 billion of industrial assets
- In excess of US\$900 million funds under management with Galena Asset Management
- 3rd largest independent oil trader in the world
- Over 2 million barrels of crude and oil products traded daily
- 2nd largest independent non-ferrous trading company in the world
- Over 8 million tons of concentrates traded per annum

They handle every element involved in the sourcing and trading of crude oil, petroleum products, renewable energies, metals, metal ores and concentrates for industrial consumers.

In the oil sector, Trafigura has access to over 30 million barrels of storage facilities through a combination of owned terminals and long-term lease agreements with third party oil terminals; they also time charter in excess of 60 vessels worldwide.

Further information is available at www.trafigura.com

Attachment: Permit Map

