



25th October 2010

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

Kairiki partners with Shell to drill Gindara Prospect

Kairiki Energy Limited ("Kairiki", ASX: KIK) is pleased to announce that its wholly owned subsidiary, Yilgarn Petroleum Philippines Pty Ltd, has entered into 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 the highly prospective Service Contract 54 Block B ("SC 54B") in the NW Palawan Basin, Philippines.

Highlights of the transaction include:

- ✓ Shell farms into SC 54B acquiring a 45% participating interest (Kairiki contributing 18% and SC 54B partner Nido Petroleum Limited ("Nido") contributing 27%);
- ✓ Gindara drilling window narrowed to March - May 2011;
- ✓ Drill-ship 'Frontier Phoenix' identified for potential use on Gindara-1; and
- ✓ Nido will remain Operator for the drilling of the Gindara-1 exploration well.

Transaction Summary

Under the terms of the Farm-in Agreement, Shell will acquire a 45% participating interest in SC 54B with Kairiki contributing 18% and SC 54B partner Nido contributing 27% of their respective participating interests. 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;
- pay its pro-rata share of the 2010 and 2011 Work Programme and Budget from the date of signing.

Capital Structure

Shares	560.909 m
Unlisted Options	2.500 m
Total:	563.409 m

Convertible Notes	70.073 m
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Board of Directors

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

Assets

Philippines:

- SC 54A - KIK: 30.1%

Current Status:

- Tindalo oilfield currently producing under EWT

- SC 54B - KIK: 40%

Current Status:

- Gindara prospect drill ready;
- Seeking farminee.

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On completion of Shell's farm-in and fulfilment of the conditions precedent in the Farm-in Agreement, participating interests in SC 54B will be as follows:

Shell Philippines Exploration B.V. (Shell)	45%
Nido Petroleum Philippines Pty Ltd (Nido, ASX: NDO) – Operator	33%
Yilgarn Petroleum Philippines Pty Ltd, (Kairiki, ASX: KIK)	22%

The transaction is subject to certain conditions, including joint venture approvals, release of security held by convertible note holder (IMC) and the finalisation of associated priority arrangements, the approval by the Philippine Department of Energy (DOE) of certain amendments to the Service Contract and the assignment of the relevant participating interest to Shell.

Commenting on the farm-out, KIK's Managing Director Dr. Mark Fenton said, "I am very pleased to announce that we have been successful in attracting Shell into SC54B. The entry of Shell represents the culmination of many years of effort on the part of Kairiki and the Operator Nido. I wish to thank Nido for their efforts in leading the technical work and the farm down process."

Dr Fenton went on to add, "with the well planned to be drilled in the first half of 2011, we are now in a position to give our shareholders exposure to the drilling of a world-class exploration opportunity in the short term. I look forward to announcing details of timing of the well and the rig which will be used when they are finalised".

This arrangement allows Kairiki to drill Gindara, our leading prospect in SC 54B in the first half of 2011. Gindara lies approximately 50km immediately south of the Shell operated Malampaya gas field in SC38, the largest discovery made in the Philippines to date and currently on production.

The SC 54B Joint Venture will now commence detailed drilling planning, including the ordering of long-lead items and materials, to allow the Gindara prospect to be drilled during the March to May 2011.

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 was 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 84,000,000 shares at a discounted price of 4 cents per share, to raise \$3,360,000 (**Placement**). 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 discounted price to its shareholders under a rights issue. The rights issue is for one (1) new share for every five (5) shares held with a total of approximately 128,982,000 shares to be issued, raising approximately \$5,159,280 (**Rights Issue**). The Rights Issue is renounceable meaning you may sell your rights through trading on the Australian Securities Exchange.



The total amount to be raised by the Placement and Rights Issue is up to \$8,519,280 (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, costs of the Offer and for additional working capital.

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.

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

For further information please contact:

Mark Fenton

Managing Director

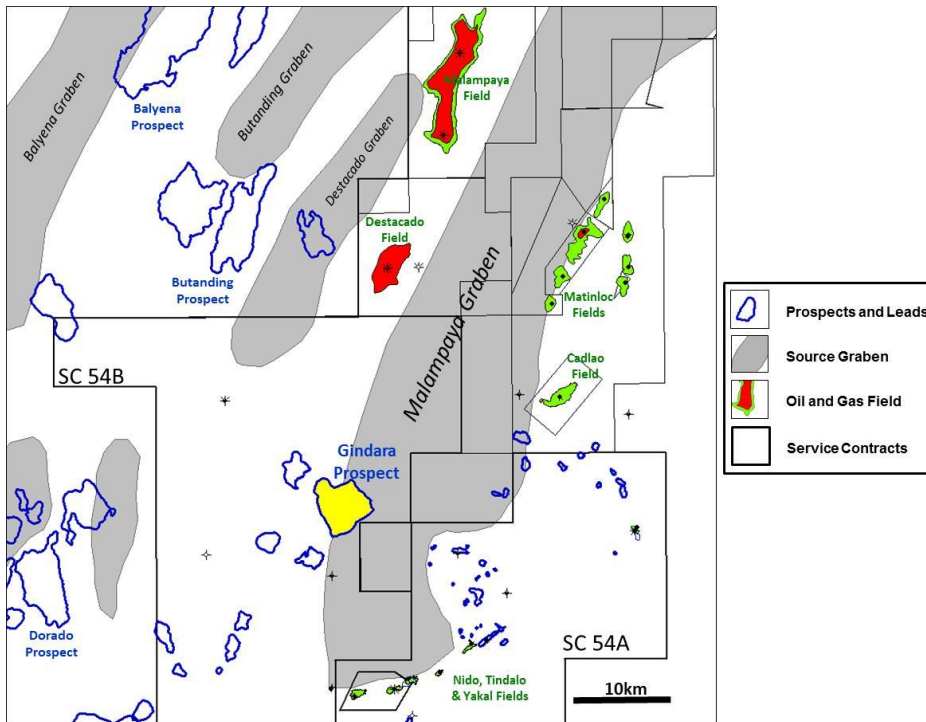
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SC 54B Location Map and Gindara Prospect



Royal Dutch Shell plc

Royal Dutch Shell plc is incorporated in England and Wales, has its headquarters in The Hague and is listed on the London, Amsterdam, and New York stock exchanges. Shell companies have operations in more than 90 countries and territories with businesses including oil and gas exploration and production; production and marketing of liquefied natural gas and gas to liquids; manufacturing, marketing and shipping of oil products and chemicals and renewable energy projects. For further information, visit www.shell.com

Shell's presence in the Philippines dates back to over 96 years, to when it opened its first trading office in 1914.

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. In December 2009, Kairiki announced that the SC 54A Joint Venture had approved the development of the Tindalo field. Based on a successful development at Tindalo a number of follow-up developments may be considered in SC 54A.

SC 54B measures 3184 km² and contains the Gindara prospect which has a mean unrisks 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.