

23 March 2009

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

Kairiki to farm-out interest in SC 54, Philippines

Kairiki Energy is pleased to advise that it has entered into a conditional agreement with a private oil and gas investment company ("Investors") to farm-out a 17% interest in the inboard portion of Service Contract 54 ("SC 54") in the Philippines. Kairiki will retain a 23% interest in the inboard portion of SC 54 (to be named SC 54A) and a 40% interest in the remainder of SC54 (to be named SC 54B).

Highlights

- The Investors will earn a 17% interest in the inboard portion of SC 54 (SC 54A) by:
 - reimbursing Kairiki US\$7 million of its past costs, plus
 - funding the next US\$6 million of Kairiki's remaining 23% net share of the SC 54A work program (equivalent to a carry for Kairiki over the next US\$26 million of work program in SC 54A)
- Kairiki retains a 40% interest in the outboard portion of SC 54 (SC 54B)
- The Investors are particularly experienced in drilling and engineering operations and strategically aligned to deliver First Oil by early 2010 from the shallow water portfolio, in line with both Kairiki and the Joint Venture
- The transaction is effective from 1 March 2009
- The farm-out is conditional upon:
 - finalising a formal farm-out agreement and the private oil and gas investment company's investor contracts concluding by 15 April 2009, unless both parties agree to mutually extend
 - obtaining all necessary joint venture and joint operating agreement approvals, and
 - obtaining any relevant government approvals

Mr Laurie Brown, Kairiki's Managing Director, stated "we are extremely pleased to have entered into an agreement to farm down part of our interest in the inboard portion of SC 54, retaining a material equity position in both the inboard and outboard portions of SC 54, so shortly after completing the successful drilling campaign in late 2008. This transaction will bring Kairiki one step closer to realising its goal of delivering a production revenue stream in the near term, and is consistent with our Company's strategy to acquire projects with relatively low risk, undertake extensive technical work and then introduce a partner of strategic value to assist in the development of those projects. Kairiki looks forward to a positively aligned relationship with the Investor group and in the future identifying other opportunities for collaboration."

For further information please contact:

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Company Highlights

- ASX listed oil and gas company with high impact projects in proven oil basins
- Pursuing options to rapidly commercialise Philippines discoveries targeting first oil in 2010
- Ongoing farm-out activities being undertaken on Philippines and Sicily channel acreage
- Quality board and management team